NOMURA BANK INTERNATIONAL PLC

INTERIM REPORT
30 September 2017

COMPANY REGISTRATION NUMBER 1981122

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

The Interim Report is comprised of a Management Report and the condensed financial statements of Nomura Bank International plc (the "Bank") for the period from 1 April 2017 to 30 September 2017. The Bank is incorporated in England and Wales and its registered office is 1 Angel Lane, London, EC4R 3AB.

MANAGEMENT REPORT

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 has a branch in Milan, Italy which is in the process of being closed and a representative office in Istanbul, Turkey. The Bank's representative office in China is in the process of de-registration. The Bank's principal activities include:

- issuance of guaranteed credit and equity-linked notes and certificates;
- provision of sub-participations and structured loans (including bridge and warehouse financing);
- purchase of structured credit assets and structured loans;
- provision of traditional banking products such as loans and credit facilities in major currencies, repurchase and reverse repurchase transactions, letters of credit and guarantees; and
- taking deposits (including foreign exchange and other reference linked deposits).

During the period the Bank continued its note issuance business. The Bank has a number of platforms for the issuance of debt which allows it to issue equity-linked notes and certificates and credit-linked notes and warrants to investors, which includes notes that are traded on exchanges. In addition to the above, the Bank continues to provide loan facilities to clients across a wide variety of industries, including power and gas, telecommunications and fast moving consumer goods.

The Bank continues to lend predominantly on a secured basis through the use of reverse repurchase transactions ('Securities purchased under agreements to resell'). As at 30 September 2017, 89% of funds were advanced on a secured basis.

DIRECTORS

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

David Godfrey	Non-Executive Director Non-Executive Chairman (appointed on 7 April 2017)
David Benson	Non-Executive Director
Jonathan Lewis	Executive Director Chief Executive officer
John Tierney	Executive Director
Lewis O'Donald	Executive Director
Jonathan Britton	Non-Executive Director
James Leng	Non-Executive Chairman (resigned on 07 April 2017) Non-Executive Director (resigned on 07 April 2017)

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

MANAGEMENT REPORT (CONTINUED)

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Bank's key financial performance indicators during the period are as shown below:

	Period ended 30 Sep 2017 $'000	Restated Period ended 30 Sep 2016 $'000
Net interest income	34,971	14,753
Profit for the period	9,074	5,834
Total comprehensive loss	(11,683)	(56,927)
Total assets	7,940,778	8,612,819
Total liabilities	7,477,301	8,143,115
Shareholders' Funds	463,477	469,704

The Bank has reported a post tax profit of $9,073,515 for the period ending 30 September 2017 (period ending 30 September 2016: post tax profit of $5,833,515). This profit is driven by fee income received for facilitating structured note issuance.

Following the European Union ("EU") endorsement of International Financial Reporting Standards (IFRS) 9 "Financial Instruments: Classification and Measurement" in November 2016 the Bank has early adopted the IFRS 9 provisions relating to changes in own credit, effective from 1 April 2016. Changes in own credit on structured notes issued, is now recognised in other comprehensive income, thus eliminating volatility in the profit and loss in relation to unrealised own credit adjustments on structured note liabilities.

The Bank reported a total comprehensive loss for the period of $11,683,064 (Sep 2016: loss of $56,926,717). The most significant impact to the Bank's performance this period has been as a result of the tightening of the Nomura Group's own credit spreads. The impact of own credit has resulted in a loss for the year of $33,321,323 (Sep 2016: loss of $61,078,000).

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.

Looking forward, the Bank will continue to focus on its activities supporting the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group.

FUTURE DEVELOPMENTS

Following the Brexit referendum held in June 2016, the UK Prime Minister triggered Article 50 of the Treaty of the Functioning of the EU to start the formal exit process on 29 March 2017, meaning that the UK is on a course to leave the EU by the end of March 2019. The terms of withdrawal and agreements outlining any new relationships between the UK and the EU will be negotiated during this two year period. In the meantime, the UK remains a full member of the EU. The UK financial services sector currently relies on access to the EU single market to conduct business across borders within the EU. However, the UK government has said that it will not seek to remain part of the single market after Brexit. It is not yet clear whether an agreement can be reached through other means in order to maintain a similar level access for UK based firms and so the precise impact of Brexit on financial services cannot yet be judged.

RISK MANAGEMENT

The Bank's activities involve the assumption and transfer of certain risks, including market risk, credit risk, operational risk, cross-border risk, model risk, liquidity and funding risks, and business risk. These risks are managed through sub-committees of the Board of Nomura Europe Holdings plc ("NEHS"), the Bank's immediate parent. These include a Prudential Risk Committee ("PRC") having oversight of, and providing advice to, the Board on the NEHS Group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework. Additionally, there are committees dedicated to overseeing cross-border risk in relation to non-Europe Middle East and Africa ("non-EMEA") business booked into certain European entities, including the Bank.

The Bank's financial risk management objectives and policies are disclosed in note 15 of its statutory financial statements for the year to 31 March 2017. The Bank's principal risks and uncertainties have not changed in the period ending 30 September 2017.

GOING CONCERN

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. In addition, notes 15 and 18 of the statutory financial statements for the year to 31 March 2017 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 that the Bank hedges its market risk. Whilst the Bank has significant exposure to Nomura Group companies, and in particular to NIP, this is minimised through significant collateralisation. The Bank's net exposures with NIP are also 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 5 to 26 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the EU and that the interim management report on pages 1 to 3 includes a fair review of the information required by the Disclosure and Transparency Rules of the FCA.

By Order of the Board at a meeting held on 14 December 2017

Christopher Barlow
Company Secretary

14 December 2017

Company Registration Number: 1981122

INDEPENDENT REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises a statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and related notes 1 to 8. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
15 December 2017

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

INCOME STATEMENT FOR THE PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

		Period Ending 30 September 2017	Restated Period Ending 30 September 2016
		$'000	$'000
INCOME			
Interest income and similar income		45,605	22,571
Interest expense and similar charges		(10,634)	(7,818)
NET INTEREST INCOME		34,971	14,753
Fee and commission income		23,258	34,784
Fee and commission expense		(2,872)	(6,854)
Dealing loss		(37,707)	(29,262)
TOTAL OPERATING INCOME		17,650	13,421
Administrative expenses		(6,447)	(6,129)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,203	7,292
Income tax expense	2	(2,129)	(1,458)
PROFIT FOR THE PERIOD		9,074	5,834
ATTRUBUTABLE TO :			
Equityholders of the parent			
Profit for the period from continuing operations		9,074	5,834

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

The previous year loss in relation to changes in own credit risk has been reclassified from the income statement to other comprehensive income. Refer to note 1 (a) for further details.

The notes on pages 12 to 26 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

		Period ending 30 September 2017	Restated Period ended 30 September 2016
		$'000	**$'000**
PROFIT FOR THE PERIOD		9,074	5,834
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to the income statement			
Foreign currency translation gains/(loss)		289	(33)
Items that will be not be reclassified to the income statement			
Change in fair value attributable to change in the credit risk of financial liabilities designated at fair value through profit and loss (net of related tax effects)	2	(21,046)	(62,728)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(20,757)	(62,761)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(11,683)	(56,927)

The notes on pages 12 to 26 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

	Called-up share capital	Retained Earnings	Other Reserve	Own Credit Reserve	Total shareholder's equity
	$'000	$'000	$'000	$'000	$'000
As at 1 April 2017	555,000	31,857	(285)	(111,412)	475,160
Profit for the period	-	9,074	-	-	9,074
Other Comprehensive Income	-	-	289	(21,046)	(20,757)
Transferred from Own Credit Reserve to Retained Earnings during the period	-	(3,620)	-	3,620	-
Total comprehensive income	-	5,454	289	(17,426)	(11,683)
As at 30 September 2017	555,000	37,311	4	(128,838)	(463,477)

	Called-up share capital	Retained earnings	Other Reserve	Own Credit Reserve	Total shareholder's equity
	$'000	$'000	$'000	$'000	$'000
As at 1 April 2016	555,000	(28,237)	(132)	-	526,631
Changes on initial application of IFRS 9 in relation to own credit risk adjustment		73,490	-	(73,490)	-
Restated as at April 2016	555,000	45,253	(132)	(73,490)	526,631
Profit for the period	-	5,834	-	-	5,834
Other Comprehensive Income	-	-	(33)	(62,728)	(62,761)
Transferred from Own Credit Reserve to Retained Earnings during the period	-	(9,791)	-	9,791	-
Total comprehensive income	-	(3,957)	(33)	(52,937)	(56,927)
Restated as at 30 September 2016	555,000	41,296	(165)	(126,427)	469,704

Foreign currency translation gains/losses are due to the Bank's branch in Italy. These gains/losses may be reclassified to the income statement in subsequent periods.

On early adoption of IFRS 9, provisions relating to changes in own credit for financial liabilities designated at fair value through profit and loss, $73,489,970 was reclassified from Retained Earnings to Own Credit Reserve in relation to unrealised changes in fair value attributable to change in own credit risk of financial liabilities designated at fair value through profit and loss (net of tax effects).

During the period, $3,619,907 (Sep 2016: $9,790,318) 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 12 to 26 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2017

	Note	September 2017 Unaudited $'000	March 2017 Audited $'000
Assets			
Loans and advances to banks		4,196	6,559
Derivative financial instruments	3,4	476,715	386,428
Loans and advances to affiliates		1,403,597	1,515,739
Securities purchased under agreements to resell		5,909,648	5,745,431
Loans and advances to others		84,594	86,198
Prepayments and accrued income		17,357	2,496
Other assets		29,634	29,781
Deferred tax asset	2	15,026	-
Available-for-sale financial investments	3	11	11
Total Assets		7,940,778	7,772,643
Liabilities			
Customer accounts		193	176
Derivative financial instruments	3,4	1,315,753	1,243,861
Accruals and deferred income		48,002	31,165
Borrowing from affiliates		273,711	395,945
Borrowing from others		46,917	47,100
Securities sold under agreements to repurchase		1,450,000	1,450,000
Bonds and medium-term notes	7	4,313,853	4,104,141
Group relief payable		26,485	24,966
Other liabilities		2,387	129
Total Liabilities		7,477,301	7,297,483
Shareholders' funds			
Called up share capital		555,000	555,000
Retained earnings		37,311	31,857
Own Credit Reserve		(128,838)	(111,412)
Other reserve		4	(285)
Total Equity		463,477	475,160
Total Liabilities and Equity		7,940,778	7,772,643

The notes on pages 12 to 26 form part of these financial statements.

Approved by the board of Directors on 14 December 2017 and subsequently signed on its behalf on 14 December 2017 by:

Jonathan Lewis
Director

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

	Period Ending 30 September 2017 $'000	Restated Period Ending 30 September 2016 $'000
Operating activities		
Profit before tax	11,203	7,292
Non-cash adjustments to reconcile (loss)/profit for the period to net cash flows		
Depreciation on fixed assets	-	3
Change in operating assets and liabilities		
Net change in loans and advances to related parties	112,142	5,698
Net change in loans and advances to others	1,604	100,915
Net change in borrowing from banks and other customers	(183)	(5,224)
Net change in borrowings from related parties	(122,234)	75,288
Net change in bond and medium-term notes	(73,160)	23,193
Net change in derivative assets	(90,287)	11,211
Net change in derivative liabilities	71,892	(328,363)
Net change in securities purchased under agreements to resell	(164,217)	1,388,618
Net change in securities sold under agreements to repurchase	-	299,989
Net change in other assets	(14,879)	14,159
Net change in other liabilities	16,111	(972)
Net change in corporation tax liability	1,520	4,473
Net change in prepayments and accrued income	(14,861)	32
Net change in accruals and deferred income	16,837	8,574
Income tax paid	(5)	(105)
Net cash flows in relation to operating activities	**(248,517)**	**1,604,781**

The presentation of the income statement and statement of comprehensive income has changed compared to prior period as a result of early adoption of the IFRS 9 provisions relating to changes in own credit. Refer to note 1 (a) for further details. In addition, prior period numbers have been reclassified to reflect the changes in presentation adopted in the statutory financial statements for the year ending 31 March 2017. For further details, refer note 1u) of its statutory financial statements for the year to 31 March 2017.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2017 (CONTINUED) (UNAUDITED)

	Period Ending 30 September 2017 $'000	Restated Period Ending 30 September 2016 $'000
Financing activities		
Proceeds of borrowings and issuance of debt	513,998	233,945
Repayments of borrowings and redemption of debt	(267,844)	(1,836,651)
Net cash flows in relation to financing activities	246,154	(1,602,706)
Net (decrease)/increase in cash and cash equivalents	(2,363)	2,075
Cash and cash equivalents at the beginning of the period	6,559	5,372
Cash and cash equivalents at the end of the period	4,196	7,447
Included within operational cash flows		
Interest paid	(10,560)	(7,903)
Interest received	30,743	21,598

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2017 (CONTINUED) (UNAUDITED)

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

30 September 2017

	30 September 2017 $'000	Cash Flow $'000	31 March 2017 $'000
Loans and advances to other banks repayable on demand	4,196	(2,363)	6,559
Net Cash and Cash Equivalents	4,196	(2,363)	6,559

31 March 2017

	31 March 2017 $'000	Cash Flow $'000	31 March 2016 $'000
Loans and advances to other banks repayable on demand	6,559	1,187	5,372
Net Cash and Cash Equivalents	6,559	1,187	5,372

30 September 2016

	30 September 2016 $'000	Cash Flow $'000	31 March 2016 $'000
Loans and advances to other banks repayable on demand	7,447	2,075	5,372
Net Cash and Cash Equivalents	7,447	2,075	5,372

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

NOTES TO INTERIM REPORT

1. ACCOUNTING POLICIES

(a) Basis of Accounting

These condensed interim financial statements as at and for the half-year to 30 September 2017 of Nomura Bank International plc (the "Bank") have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements as at and for the year ending 31 March 2017 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The condensed financial statements have been prepared on a historical cost basis, except for financial instruments held at fair value through profit and loss, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The condensed financial statements have been prepared on a going concern basis. The condensed financial statements are presented in United States dollar ("USD"), and all values are rounded to the nearest thousand USD except where otherwise stated. The information presented in this interim report does not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ending 31 March 2017 has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s495 of the Companies Act 2006. The audit report did not contain a statement under s498 of the Companies Act 2006, nor did it include references to any matters to which the auditor drew attention by way of emphasis.

The Bank does not have any subsidiaries and as such no consolidated financial statements are required to be prepared.

On early adoption of the IFRS 9 provisions for financial liabilities designated at fair value through profit and loss from 1 April 2016, the presentation of the income statement and statement of comprehensive income has changed. Prior to adoption, for period ending 30 September 2016, the Bank's valuation adjustment for its realised own credit risk of $2,061,894 was reported in 'Dealing loss' and unreaslised own credit risk adjustment of $61,077,718 was reported in 'Loss in relation to changes in own credit risk'. Post adoption this valuation adjstments has now been reclassified to 'Other comprehensive income' into its own separate line 'Change in fair value attributable to change in the credit risk of financial liabilities designated at fair value through profit and loss (net of related tax effects)'. As a result, the prior period figures including tax effect for the income statement and statement of comprehensive income have been restated.

(b) Fair Values

The Bank holds a significant portion of financial instruments at fair value, as described below. A description of the Bank's policies with regards to its application of fair value measurements to significant financial instruments is as follows:

(i) Valuation of fair value instruments

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

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-trading securities and derivatives is based on quoted market prices on exchanges or other broker/dealer quotations.

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time

1. ACCOUNTING POLICIES (CONTINUED)

(i) Valuation of fair value instruments (Continued)

value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics.

These models also incorporate adjustments relating to counterparty and the Bank's own credit risk, the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific inputs which are unobservable in the market.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, foreign exchange and commodity markets can impact the Bank's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Bank's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base assumptions underlying valuation pricing models.

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

The Bank seeks to minimize market risks by entering into hedging derivatives to economically hedge the exposures of certain fair value option (FVO) elected notes. The Bank applies the "portfolio exception" in IFRS 13.48 to measure the fair value of this group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

(ii) Fair value option

Certain financial instruments may be designated at fair value by management when one of the following criteria is met:

1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument; or

2) Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring related financial instruments on different bases; or

3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these financial instruments is provided internally on a fair value basis to the Bank's key management personnel.

The fair value option election is undertaken on a product-by-product basis. This only applies to those instruments that meet one or more of the above criteria, where fair value would provide a fairer representation of the risks associated with those instruments. Once made, the fair value option election is irrevocable.

1. ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting judgments, estimates and assumptions

The preparation of the condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. For the period condensed financial statements, the accounting policies, significant accounting judgements, estimates and assumptions are consistent with those applied by the Bank in its 2017 annual report and accounts except for the adoption of new standards and interpretations as at 1 April 2017 noted in note (e) below.

(d) Segment reporting

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

(e) New standards, interpretations and amendments thereof, adopted by the Bank

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ending 31 March 2017.

There were no new standards or interpretations which have a material impact on the Bank during the period.

2. TAX

Income tax expense in the Income Statement is calculated using the tax rate that would be applicable to the expected total annual earnings. The major components of the income tax expense are:

INCOME TAXES	Period ending 30 September 2017 $'000	Restated Period ending 30 September 2016 $'000
Current income tax expense	2,129	1,458
Income tax expense recognised in the Income Statement	**2,129**	**1,458**

Income tax expense in the Statement of Comprehensive Income is calculated using the tax rate that would be applicable to the expected total annual earnings. The major components of the income tax expense are:

INCOME TAXES	Period ending 30 September 2017 $'000	Restated Period ending 30 September 2016 $'000
Current income tax credit	(645)	(412)
Deferred income tax credit relating to origination and reversal of temporary differences on own credit	(15,026)	-
Income tax credit recognised in Statement of Comprehensive Income	**(15,671)**	**(412)**

3. FINANCIAL INSTRUMENTS

Analysis of the Bank's financial assets and financial liabilities by IAS 39 classification

	September 2017	September 2017	September 2017	September 2017	September 2017	September 2017
	Available-for-sale investments	Held for trading	Designated at fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Loans and advances to banks	-	-	-	4,196	-	4,196
Derivative financial instruments	-	476,715	-	-	-	476,715
Loans and advances to affiliates	-	-	653,230	750,367	-	1,403,597
Securities purchased under agreements to resell	-	-	-	5,909,648	-	5,909,648
Loans and advances to others	-	-	84,594	-	-	84,594
Other assets	-	-	-	29,634	-	29,634
Available-for-sale Investments	11	-	-	-	-	11
Financial Liabilities						
Derivative financial instruments	-	(1,315,753)	-	-	-	(1,315,753)
Borrowing from affiliates	-	-	-	-	(273,711)	(273,711)
Borrowing from others	-	-	(46,917)	-	-	(46,917)
Securities sold under agreements to repurchase	-	-	-	-	(1,450,000)	(1,450,000)
Bonds and medium term notes	-	-	(4,313,853)	-	-	(4,313,853)
Other liabilities	-	-	-	-	(2,387)	(2,387)
	11	**(839,038)**	**(3,622,946)**	**6,693,845**	**(1,726,098)**	**505,774**

The maximum credit exposure of the financial assets designated at fair value through profit and loss amounts to $738m (March 2017: $711m). The cumulative change in fair value of the assets attributable to changes in credit risk amounts to Nil (March 2017: loss of Nil) and the change for the current period is Nil (March 2017: loss of Nil). Included in financial assets designated at fair value through profit and loss is a loan which is guaranteed by NIP.

3. FINANCIAL INSTRUMENTS (CONTINUED)

	March 2017	March 2017	March 2017	March 2017	March 2017	March 2017
	Available-for-sale investments	Held for trading	Designated at fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets						
Loans and advances to banks	-	-	-	6,559	-	6,559
Derivative financial instruments	-	386,428	-	-	-	386,428
Loans and advances to affiliates	-	-	625,403	890,336	-	1,515,739
Securities purchased under agreements to resell	-	-	-	5,745,431	-	5,745,431
Loans and advances to others	-	-	86,198	-	-	86,198
Other assets	-	-	-	29,781	-	29,781
Available-for-sale Investments	11	-	-	-	-	11
Financial Liabilities						
Derivative financial instruments	-	(1,243,861)	-	-	-	(1,243,861)
Borrowing from affiliates	-	-	-	-	(395,945)	(395,945)
Borrowing from others	-	-	(47,100)	-		(47,100)
Securities sold under agreements to repurchase	-	-	-	-	(1,450,000)	(1,450,000)
Bonds and medium term notes	-	-	(4,104,141)	-	-	(4,104,141)
Other liabilities	-	-	-	-	(129)	(129)
	11	**(857,433)**	**(3,439,640)**	**6,672,107**	**(1,846,074)**	**528,971**

3. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Bank's financial assets and financial liabilities by product type

Included within the financial assets and financial liabilities above are the following positions with fellow Nomura Group undertakings:

	30 September 2017 $'000	31 March 2017 $'000
Financial assets		
Derivative financial instruments	473,831	384,577
Loans and advances to affiliates	1,403,597	1,515,739
Securities purchased under agreements to resell	5,909,648	5,745,431
Other assets	28,099	29,254
	7,815,175	**7,675,001**
Financial liabilities		
Derivative financial instruments	1,068,333	1,013,061
Borrowing from affiliates	273,711	395,945
	1,342,044	**1,409,006**

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities accessible by the Bank at the measurement date.

Level 2 Quoted prices in inactive markets or prices containing other inputs which are observable, either directly or indirectly. Valuation techniques using observable inputs reflect assumptions used by market participants in pricing financial instruments and are based on data obtained from independent market sources at the measurement date.

Level 3 Unobservable inputs that are significant to the fair value measurement of the financial instrument. Valuation techniques using unobservable inputs reflect management's assumptions about the estimates used by other market participants in valuing similar financial instruments. These valuation techniques are developed based on the best available information at the measurement date.

The following tables presents information about the Bank's financial assets and financial liabilities measured at fair value within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Bank to determine such fair values.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Fair value hierarchy

30 September 2017:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
- Derivatives	-	272,607	204,108	476,715
Loans and advances to affiliates	-	653,230	-	653,230
Loans and advances to others	-	-	84,594	84,594
	-	**925,837**	**288,702**	**1,214,539**
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	844,916	470,837	1,315,753
Bonds and medium-term notes	-	4,313,853	-	4,313,853
Borrowings from others	-	46,917	-	46,917
	-	**5,205,686**	**470,837**	**5,676,523**

31 March 2017:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
- Derivatives	-	232,075	154,353	386,428
Loans and advances to affiliates	-	625,403	-	625,403
Loans and advances to others	-	1,588	84,610	86,198
	-	**859,066**	**238,963**	**1,098,029**
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	836,433	407,428	1,243,861
Bonds and medium-term notes	-	4,104,141	-	4,104,141
Borrowings from others	-	47,100	-	47,100
	-	**4,987,674**	**407,428**	**5,395,102**

5. 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 judgment, the valuation used within these financial statements is made by senior managers independent of the businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer ("CFO") of Nomura Group;

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

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

Sensitivity of fair value to changes in unobservable inputs

Level 3 financial 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.

Level 3 financial instruments are often hedged with instruments within level 1 or level 2 of the fair value hierarchy and the gains or losses below do not reflect the offsetting gains or losses for these hedging instruments. Additionally, due to these hedging arrangements no effect of reasonably possible alternative assumptions has been disclosed as a change in any assumption would cause a similar offsetting effect to the hedging instruments' fair value. Level 3 instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realised and unrealised gains and losses resulting from movements in both observable and unobservable parameters.

5. VALUATION PROCESSES (CONTINUED)

Movements in Level 3 financial instruments

30 September 2017	At 1 April 2017	Total gains (losses) in P&L	Settlement	Net transfers in of level 3	Net transfers (out) of level 3	At 30 September 2017	Unrealised Total gains (losses)in P&L
$'000s							
Financial assets							
Financial assets held for trading:							
- Derivatives	154,353	10,767	38,988	-	-	204,108	(10,285)
Loans and advances to others	84,610	(1,949)	1,933	-	-	84,594	(1,949)
	238,963	**8,818**	**40,921**	**-**	**-**	**288,702**	**(12,234)**

30 September 2017	At 1 April 2017	Total gains (losses) in P&L	Settlement	Net transfers in of level 3	Net transfers (out) of level 3	At 30 September 2017	Unrealised Total gains (losses)in P&L
$'000s							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	407,428	(5,480)	68,889	-	-	470,837	(3,319)
	407,428	**(5,480)**	**68,889**	**-**	**-**	**470,837**	**(3,319)**

Total gains and losses on financial instruments included in the above tables are included in 'Dealing losses' in the Statement of Comprehensive Income.

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

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

During the period, financial assets and liabilities were transferred into Level 3 as certain parameters became unobservable and transferred out from Level 3 as certain market parameters became observable.

5. VALUATION PROCESSES (CONTINUED)

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 30 September 2017 and 31 March 2017.

30 September 2017

Class of financial instrument	**Fair value $'000**	**Valuation techniques**	**Significant Unobservable inputs**	**Range**
Financial Instruments held for trading				
-Derivative Assets	204,108		Interest rates	1.5%-1.5%
		DCF/Option	Dividend yield	0.0%-6.4%
-Derivative Liabilities	(470,837)	models	Volatilities	5.4%-56.3%
			Correlations	(0.51)-0.93
Loans and advances to others	84,594	DCF	No significant unobservable inputs[1]	-

31 March 2017

Class of financial instrument	**Fair value $'000**	**Valuation techniques**	**Significant Unobservable inputs**	**Range**
Financial Instruments held for trading				
-Derivative Assets	154,353		Dividend yield	0%-6.1%
		DCF/Option	Volatilities	13.5%-49.2%
-Derivative Liabilities	(407,428)	Models	Correlations	0.37-0.82
Loans and advances to others	84,610	DCF	No significant unobservable inputs[1]	-

[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.

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 on the next page will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within Loans and advances to banks, Loans and advances to affiliates, Securities purchased under agreements to resell, Other assets, Borrowings from affiliates, Securities sold under agreements to repurchase and Other liabilities.

Loans and advances to banks, Loans and advances to affiliates, Securities purchased under agreements to resell, Other assets, Borrowings from affiliates, Securities sold under agreements to repurchase and Other liabilities, in the Statement of Financial Position would generally be classified in either Level 1 or Level 2 within the fair value hierarchy.

5. VALUATION PROCESSES (CONTINUED)

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instruments which are not carried at fair value as of 30 September 2017 and 31 March 2017.

	September 2017	September 2017	September 2017	September 2017	September 2017
				Fair value by level	
	Carrying amount $'000	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial Assets:					
Loans and advances to banks	4,196	4,196	4,196	-	-
Loans and advances to affiliates	750,368	750,368	-	750,368	-
Securities purchased under agreements to resell	5,909,648	5,909,648	-	5,909,648	-
Other assets	29,634	29,634	-	29,634	-
	6,693,846	**6,693,846**	**4,196**	**6,689,650**	**-**
Financial Liabilities:					
Borrowing from affiliates	(273,711)	(273,711)	-	(273,711)	-
Securities sold under agreements to repurchase	(1,450,000)	(1,450,000)	-	(1,450,000)	-
Other liabilities	(2,387)	(2,387)	-	(2,387)	-
	(1,726,098)	**(1,726,098)**	**-**	**(1,726,098)**	**-**

	March 2017	March 2017	March 2017	March 2017	March 2017
				Fair value by level	
	Carrying amount $'000	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Financial Assets:					
Loans and advances to banks	6,559	6,559	6,559	-	-
Loans and advances to affiliates	890,336	890,336	-	890,336	-
Securities purchased under agreements to resell	5,745,431	5,745,431	-	5,745,431	-
Other assets	29,781	29,781	-	29,781	-
	6,672,107	**6,672,107**	**6,559**	**6,665,548**	**-**
Financial Liabilities:					
Borrowing from affiliates	(395,945)	(395,945)	-	(395,945)	-
Securities sold under agreements to repurchase	(1,450,000)	(1,450,000)	-	(1,450,000)	-
Other liabilities	(129)	(129)	-	(129)	-
	(1,846,074)	**(1,846,074)**	**-**	**(1,846,074)**	**-**

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2017 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

6. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

Financial guarantee contracts

The Bank provides certain financial guarantees to third parties over their exposure to Nomura group companies. At 30 September 2017 the maximum exposure on these financial guarantee contracts amounted to $253,714,786 (31 March 2017: $186,743,481).

Commitments

The Bank had commitments as at 30 September 2017 amounting to $2,535,798,906 (31 March 2017: $1,080,355,543) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

7. BONDS AND MEDIUM TERM NOTES

The Bank issues structured notes 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.

	September 2017	March 2017
	$'000	**$'000**
Bonds and Medium- Term Notes, by remaining maturity:		
- Less than 1 year	394,752	296,057
- Less than 5 years but greater than 1 year	1,188,220	1,395,805
- Greater than 5 years	2,730,881	2,412,279
Total	**4,313,853**	**4,104,141**

As of 30 September 2017, 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 $170,570,004 (March 2017: $179,353,877) 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 loss of $33,321,323 (March 2017: $60,031,664) and realised loss of $3,395,946 (March 2017: $8,321,210), as well as income tax of $15,671,690 (March 2017: $2,420,563) arising due to redemption of notes during the year. The cumulative valuation adjustment resulting from own credit, included in the fair values of bonds and medium notes in the statement of financial position, is a credit of $83,901,470 at 30 September 2017 (March 2017: $50,580,145). The Bank calculates and applies an own credit adjustment based on movements in the credit spread 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.

7. BONDS AND MEDIUM TERM NOTES (CONTINUED)

Movement in bonds and medium term notes (continued)

$,000	Balance as at 1 April 2017	Issuance	Redemption	Others	Balance as at 30 September 2017
Bonds and medium term notes	4,104,141	513,998	(267,844)	(36,442)	4,313,853
Total	**4,104,141**	**513,998**	**(267,844)**	**(36,442)**	**4,313,853**

8. RELATED PARTY TRANSACTIONS

The Bank enters into various transactions with other companies under common control within the Nomura Group which are at an arm's length basis.

a. Transactions with NIP

i. The Bank has secured financing and collateralised lending receivables owing from NIP in the amount of $6,562,005,749 as at 30 September 2017 (31 March 2017: $6,386,000,123). Prepayments including interest receivables owing from NIP amounted to $17,348,057 as at 30 September 2017 (31 March 2017: 2,480,407).

ii. The Bank enters into derivative agreements with NIP to hedge the market risk on medium term notes issued. The fair value of the derivatives assets with NIP is $473,827,158 as at 30 September 2017 (31 March 2017: $384,577,291) and the fair value of derivative liabilities with NIP is $1,069,284,118 (31 March 2017: $1,013,061,258). The Bank receives a combination of cash and securities collateral from NIP with respect to its net derivative exposure with NIP.

iii. The Bank has other receivables due from NIP of $9,071,069 (31 March 2017: $6,387,572) and other payables due to NIP of $179,518,018 (31 March 2017: $86,292,528).

iv. The Bank advanced a loan to NIP to the amount of $750,367,748 (31 March 2017 $890,335,991) and has received cash collateral $98,842,778 (31 March 2017: $295,748,128).

v. Interest income includes Interest on Reverse repo with NIP $45,063,077 (30 September 2016: $14,670,011).

vi. Interest expense includes Interest on Loan and Collateral with NIP $1,108,431 (30 September 2016 $1,407,957).

vii. Fee income includes arrangement fees received from NIP $21,561,314 (30 September 2016 $32,097,147).

viii. Fee expense includes commitment fee expense with NIP $1,624,221 (30 September 2016 $1,589,084).

ix. Administration expense include SLA & Technology charges paid to NIP $4,714,273 (30 September 2016 $4,447,427).

x. The Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP.

8. RELATED PARTY TRANSACTIONS (CONTINUED)

a. Transactions with NIP (continued)

xi. The Bank's obligation to pay the UK Bank Levy in both the current year and prior year has been settled by NIP, who is responsible for reporting and paying the bank levy on behalf of the Nomura UK tax group.

b. Transactions with other Nomura group companies

i. The Bank has no overdrafts and borrowings due to other Nomura group companies as at 30 September 2017 (31 March 2017: $15,634,279) but has loans and advances due from other Nomura group companies as at 30 September 2017 $19,900,000 (31 March 2017: $25,700,000).

For the period ended 30 September 2017 and 30 September 2016, there were no impairment losses on any of the above disclosed related party receivables.

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.

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 service level agreements. The premises where the Bank is registered and operates are leased by Nomura Properties Plc.