NOMURA BANK INTERNATIONAL PLC

INTERIM REPORT
30 September 2019

COMPANY REGISTRATION NUMBER 1981122

NOMURA

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2019 (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 2019 to 30 September 2019. The Bank is incorporated in England and Wales and its registered office is 1 Angel Lane, London, EC4R 3AB.

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

PRINCIPAL ACTIVITIES

The Bank's primary role is to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group (Nomura Holdings, Inc. ("NHI") and its consolidated subsidiaries).

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

- issuance of rates, credit and equity linked notes and certificates;
- 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 period were as follows:

	Period ended 30 September 2019 $'000	Period ended 30 September 2018 $'000
Net interest income	34,341	29,770
Profit after tax	6,252	8,354
Total comprehensive loss	(6,746)	(3,614)

	Period ended 30 September 2019 $'000	Period ended 31 March 2019 $'000
Total assets	6,212,506	6,638,475
Total liabilities	5,999,047	6,403,270
Shareholders' funds	213,459	235,205

Financial Performance:

The Bank reported profit after tax for the period of $6,251,761 (Sep 2018: $8,354,277), driven mainly by facilitation fee income for issuance facilities provided to NIP.

Financial Position:

The Bank's total assets decreased year on year by 6% to $6,212,506,019 (Mar 2019: 6,638,474,527) following the maturities of certain secured financing transactions during the year. During the year, the Bank paid a dividend of $15,000,000 to the Bank's immediate parent, NEHS.

REVIEW OF THE BANK'S BUSINESS, FINANCIAL PERFORMANCE AND FINANCIAL POSITION, AND DESCRIPTION OF PRINCIPAL RISKS (CONTINUED)

DIRECTORS

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

David Godfrey	Non-Executive Director
	Non-Executive Chairman
John Tierney	Director
Jonathan Britton	Non-Executive Director
Jonathan Lewis	Director and Chief Executive officer
Lewis O'Donald	Director (resigned on 26 April 2019)
Neeta Atkar	Non-Executive Director
Takeo Aoki	Director (appointed on 10 September 2019)

RISK MANAGEMENT

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

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

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

Further information on the management of these risks is provided in note 4 & 5 of 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 in this report.

Given that the Bank hedges its market risk, the Directors consider the Bank's capital position to be strong. The Bank does not hedge its own credit risk, however this does not impact its capital. Whilst the Bank has significant exposure to Nomura Group companies, and in particular to NIP, this is minimised through significant collateralisation to minimise the Bank's exposure. The Bank's net exposures with NIP are supported by a limited written guarantee from the Bank's ultimate parent, NHI.

The maturity profile of the Bank's liabilities is typically much longer dated than that of its assets, minimising the risk of the Bank not being able to meet its obligations as they fall due.

The Directors are not aware of any material uncertainties related to events or conditions that cast doubt about the ability of the Bank to continue as a going concern. They have therefore prepared these condensed interim financial statements on a going concern basis.

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FUTURE DEVELOPMENTS

As a result of the national Brexit referendum, which took place on 23 June 2016, the United Kingdown ("UK") is due to leave the European Union ("EU"). Under the current agreement between the UK and the EU in accordance with the Article 50(3) of the Treaty on the European Union, Brexit is required to occur before the end of January 2020. However, the timing of Brexit, along with its final form and substance, remains uncertain at this time.

The Bank conducts a substantial level of business throughout Europe with London as its regional hub. The Bank has access to the entire European Economic Area ("EEA") through providing cross-border services under the relevant EU single market legislation known as "passporting rights". If Brexit were to occur without any agreement between the UK and the EU in respect of continuation of access for financial services, the Bank may lose access to the EEA, adversely affecting the both the Bank's and the Group's revenue and profitability from business in the European region.

In response to the impacts of Brexit on both the Nomura Group and the Bank and to provide continued services to clients both regionally and globally, a new broker-dealer entity, Nomura Financial Products Europe GmbH in the Federal Republic of Germany was established. NFPE is a subsidiary of NEHS and is eligible for passporting rights after Brexit, if it occurs.

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.

European Financial Regulation Reform

On 23 November 2016, the European Commission published a comprehensive package of reforms to further strengthen the resilience of EU banking sector. The reforms implement many of the remaining parts of Basel III in the EU, as well as addressing issues identified with current prudential requirements. The European Commission introduced amendments to existing legislation in the form of the Capital Requirements Directive ("CRD V"), Capital Requirements Regulation ("CRR II"), Bank Recovery and Resolution Directive ("BRRD II") and Single Resolution Mechanism Regulation ("SRMR").

The proposals have been introduced in the EU from June 2019 with the majority of changes becoming effective two years later in June 2021. However, given the pending decisions in respect of Brexit, there remains some uncertainty as to which regulations may apply to the Bank post 2019. Irrespective of these uncertainties, the Bank will be in a position to comply with its regulatory requirements.

IBOR Reform

On 27 July 2017, the FCA announced it would no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Participants in the major global financial markets are discussing the development of alternatives to IBORs ("Interbank Offered Rates") and how to transfer existing contracts and products to the alternative rates. The Nomura Group has established an IBOR program to manage the transition.

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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 4 to 31 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 12 December 2019

Christopher Barlow
Company Secretary

12 December 2019
Company Registration Number: 1981122

INDEPENDENT REVIEW REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE PERIOD ENDING 30 SEPTEMBER 2019 (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 2019 which comprises an income statement, 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 2019 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.

Nicholas Dawes (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 December 2019

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

INCOME STATEMENT FOR THE PERIOD ENDING 30 SEPTEMBER 2019 (UNAUDITED)

		Period Ending 30 September 2019 $'000	Period Ending 30 September 2018 $'000
INCOME			
Interest income calculated using the effective interest method		12,269	2,016
Other interest and similar income		27,854	38,657
Interest expense calculated using the effective interest method		(1,427)	(1,271)
Other interest and similar expense		(4,355)	(9,632)
NET INTEREST INCOME		**34,341**	**29,770**
Fee and commission income		15,812	35,317
Fee and commission expense		(1,706)	(2,405)
Dealing loss		(35,580)	(46,253)
TOTAL OPERATING INCOME		**12,867**	**16,429**
Administrative expenses		(5,209)	(6,115)
Expected credit loss		60	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**7,718**	**10,314**
Income tax expense	2	(1,466)	(1,960)
PROFIT FOR THE PERIOD ATTIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		**6,252**	**8,354**

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

The notes on pages 11 to 26 form part of these financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING 30 SEPTEMBER 2019 (UNAUDITED)

		Period ended 30 September 2019 $'000	Period ending 30 September 2018 $'000
PROFIT FOR THE PERIOD		**6,252**	**8,354**
OTHER COMPREHENSIVE INCOME			
Items that will be not be reclassified to the income statement			
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk (net of related tax effects)	2, 7	(12,998)	(11,968)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(12,998)**	**(11,968)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(6,746)**	**(3,614)**

The notes on pages 11 to 26 form part of these financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30 SEPTEMBER 2019 (UNAUDITED)

	Called-up share capital	Retained Earnings	Own Credit Reserve	Total shareholder's equity
	$'000	$'000	$'000	$'000
As at 1 April 2019	255,000	45,809	(65,604)	235,205
Dividend paid during the year	-	(15,000)	-	(15,000)
Profit for the period	-	6,252	-	6,252
Other Comprehensive Income	-	-	(12,998)	(12,998)
Transferred from Own Credit Reserve to Retained Earnings during the period	-	(1,045)	1,045	-
Total comprehensive income		(9,793)	(11,953)	(21,746)
As at 30 September 2019	**255,000**	**36,016**	**(77,557)**	**213,459**

	Called-up share capital	Retained Earnings	Own Credit Reserve	Total shareholder's equity
	$'000	$'000	$'000	$'000
As at 1 April 2018	555,000	32,541	(104,801)	482,740
Impact on adoption of IFRS 9	-	1,058	-	1,058
Profit for the period	-	8,354	-	8,354
Other Comprehensive Income	-	-	(11,968)	(11,968)
Transferred from Own Credit Reserve to Retained Earnings during the period	-	(3,045)	3,045	-
Total comprehensive income		6,367	(8,923)	(2,556)
As at 30 September 2018	**555,000**	**38,908**	**(113,724)**	**480,185**

During the period, $1,044,514 (Sep 2018: $3,045,244) was transferred from Own Credit Reserve to Retained Earnings due to settlement of financial liabilities designated at fair value through profit and loss (net of tax effects).

The notes on pages 11 to 26 form part of these financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019

	Note	September 2019 Unaudited $'000	March 2019 Audited $'000
Assets			
Loans and advances to banks		5,572	3,048
Derivative financial instruments	3,4	581,804	449,130
Loans and advances to affiliates		994,490	1,564,136
Securities purchased under agreements to resell		4,536,913	4,535,216
Loans and advances to others		65,207	68,615
Prepayments and accrued income		10,705	13,138
Other assets		10,634	828
Deferred tax asset		6,884	4,347
Right-of-use assets		279	-
Financial investments	3	18	17
Total Assets		**6,212,506**	**6,638,475**
Liabilities			
Customer accounts		154	184
Derivative financial instruments	3,4	619,009	653,887
Accruals and deferred income		17,003	20,593
Borrowing from affiliates		417,508	761,682
Borrowing from others		41,856	41,745
Securities sold under agreements to repurchase		425,009	599,980
Bonds and medium-term notes	7	4,473,511	4,321,854
Group relief payable		4,663	3,219
Lease liabilities		281	-
Other liabilities		53	126
Total Liabilities		**5,999,047**	**6,403,270**
Shareholders' funds			
Called up share capital		255,000	255,000
Retained earnings		36,016	45,808
Own Credit Reserve		(77,557)	(65,603)
Total Equity		**213,459**	**235,205**
Total Liabilities and Equity		**6,212,506**	**6,638,475**

The notes on pages 11 to 26 form part of these financial statements.

Approved by the board of Directors on 12 December 2019 and subsequently signed on its behalf on 12 December 2019 by:

John Tierney
Director

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2019 (UNAUDITED)

	Period Ending 30 September 2019 $'000	Period Ending 30 September 2018 $'000
Operating activities		
Profit before tax	7,718	10,314
Non-cash adjustments to reconcile profit for the period to net cash flows		
Depreciation on right-of-use assets	74	-
Change in operating assets and liabilities		
Net change in derivative assets	(132,674)	(34,660)
Net change in loans and advances to affiliates	569,646	363,326
Net change in securities purchased under agreements to resell	(1,697)	1,194,911
Net change in loans and advances to others	3,408	158
Net change in prepayments and accrued income	2,433	(650)
Net change in other assets	(9,806)	(3,883)
Net change in financial investments	-	(6)
Net change in customer accounts	(30)	(10)
Net change in derivative liabilities	(34,878)	(126,911)
Net change in accruals and deferred income	(3,590)	(11,845)
Net change in borrowings from affiliates	(344,174)	(74,807)
Net change in borrowing from banks and other customers	111	(3,098)
Net change in securities sold under agreements to repurchase	(174,971)	(851,169)
Net change in bond and medium-term notes	151,121	(129,741)
Net change in other liabilities	(73)	(658)
Income tax paid	-	(25,010)
Net cash flows in relation to operating activities	**32,617**	**306,261**
Financing activities		
Proceeds of borrowings and issuance of debt	1,478,806	344,160
Repayments of borrowings and redemption of debt	(1,493,827)	(653,282)
Dividends paid	(15,000)	-
Payment of principal portion of operating lease liabilities	(72)	-
Net cash flows in relation to financing activities	**(30,093)**	**(309,122)**
Net (decrease)/increase in cash and cash equivalents	2,524	(2,861)
Cash and cash equivalents at the beginning of the period	3,048	6,635
Cash and cash equivalents at the end of the period	**5,572**	**3,774**
Included within operational cash flows		
Interest paid	(4,332)	(11,866)
Interest received	40,900	40,014

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CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2019 (UNAUDITED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES:

30 September 2019	Liabilities as at 1 April 2019	Cash Flow	Non-cash changes			Liabilities as at 30 September 2019
			Foreign exchange movement	Fair value changes	Other	
	$'000	$'000	$'000	$'000	$'000	$'000
Bonds and medium-term notes	4,321,854	(15,019)	151,120	15,556	-	4,473,511
Operating lease liabilities	353	(76)	-	-	4	281
Total liabilities from financing activities	**4,322,207**	**(15,095)**	**151,120**	**15,556**	**4**	**4,473,792**

31 March 2019	Liabilities as at 1 April 2018	Cash Flow	Non-cash changes			Liabilities as at 31 March 2019
			Foreign exchange movement	Fair value changes	Other	
	$'000	$'000	$'000	$'000	$'000	$'000
Bonds and medium-term notes	4,460,415	(143,622)	48,676	(43,615)	-	4,321,854
Total liabilities from financing activities	**4,460,415**	**(143,622)**	**48,676**	**(43,615)**	**-**	**4,321,854**

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PERIOD ENDING 30 SEPTEMBER 2019 (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 2019 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 2019 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

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

The 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 2019 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.

(b) 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. 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.

The significant accounting judgments and estimates applied in the preparation of these interim financial statements are consistent with those applied in the preparation of the annual financial statements for the year ended 31 March 2019.

(c) Segment reporting

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

(d) 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 2019 in addition to and except as disclosed below.

1. ACCOUNTING POLICIES (CONTINUED)

IFRS 16: Leases

For any new contracts entered into on or after 1 April 2019, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. At lease commencement date, the Bank recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Bank's incremental borrowing rate.

IFRS 16 'Leases' replaces IAS 17 'Leases'. The adoption of this new Standard has resulted in the Bank/Company recognising a right-of-use asset and related lease liability in connection with all former operating leases. The Bank has no such leases identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The new Standard has been applied using the modified retrospective approach. Prior periods have not been restated.

The effect of adoption of IFRS 16 is as follows:

(a) Impact on the statement of financial position (increase/(decrease)) as at April1 2019:

	Amounts
	USD '000s
Assets	
Right-of-use assets	353
Total assets	***353***
Liabilities	
Operating lease liabilities	353
Total liabilities	***353***
Equity	**-**

(b) Impact on the statement of profit or loss (increase/(decrease)) for six months ended 30 September 2019:

	Amounts
	USD '000s
Depreciation expense (included in administrative expenses)	(74)
Rent expense (included in administrative expenses)	76
Interest expense	(4)
Profit for the period	**(2)**

1. ACCOUNTING POLICIES (CONTINUED)

IFRS 16: Leases (continued)

(c) Impact on the statement of cash flows (increase/(decrease)) for six months ended 30 September 2019:

	Amounts
	USD '000s
Net cash flows from operating activities	72
Net cash flows from financing activities	(72)

(d) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

	Statement of Financial Position				Statement of Profit or Loss
	Right-of-use assets			Lease liabilities	
	Building	Motor Car	Total		
As at 31 March 2019	**-**	**-**	**-**	**-**	**-**
Additions	312	41	353	353	-
Depreciation expense	(55)	(19)	(74)	-	(74)
Interest expense	-	-	-	4	(4)
Rent expense	-	-	-	-	76
Payments	-	-	-	(76)	-
As at 30 September 2019	**257**	**22**	**279**	**281**	**(2)**

(e) Reconciliation of opening operating lease liabilities with the lease commitments as at March 2019:

	Amounts
	USD '000s
Total operating lease commitments disclosed at 31 March 2019	**367**
Operating lease liabilities before discounting	367
Discounted using incremental borrowing rate (2.66%)	(14)
Operating lease liabilities	**353**
Total operating lease liabilities recognised under IFRS 16 as at 1 April 2019	**353**

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 2019 $'000	Period ending 30 September 2018 $'000
Current income tax expense	1,466	1,960
Income tax expense recognised in the Income Statement	**1,466**	**1,960**

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 2019 $'000	Period ending 30 September 2018 $'000
Current income tax credit	(22)	(87)
Deferred income tax credit relating to origination and reversal of temporary differences on own credit	(2,537)	(2,003)
Income tax credit recognised in Statement of Comprehensive Income	**(2,559)**	**(2,090)**

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PERIOD ENDING 30 SEPTEMBER 2019 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

3. FINANCIAL INSTRUMENTS

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

	September 2019			
	Held for trading	Mandatorily at fair value through profit and loss	At amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Loans and advances to banks	-	-	5,572	5,572
Derivative financial instruments	581,804	-	-	581,804
Loans and advances to affiliates	-	769,410	225,080	994,490
Securities purchased under agreements to resell	-	4,536,913	-	4,536,913
Loans and advances to others	-	65,207	-	65,207
Prepayments and accrued income	-	10,285	420	10,705
Other assets	-	-	10,634	10,634
Financial investments	-	18	-	18
Total	**581,804**	**5,381,833**	**241,706**	**6,205,343**

	Held for trading	Designated at fair value through profit and loss	At amortised cost	Total
Financial Liabilities				
Customer accounts	-	-	(154)	(154)
Derivative financial instruments	(619,009)	-	-	(619,009)
Accruals and deferred income	-	(10,119)	(6,884)	(17,003)
Borrowings from affiliates	-	-	(417,508)	(417,508)
Borrowing from others	-	(37,889)	(3,967)	(41,856)
Securities sold under agreements to repurchase	-	(425,009)	-	(425,009)
Bonds and medium term notes	-	(4,473,511)	-	(4,473,511)
Lease liabilities	-	-	(281)	(281)
Other liabilities	-	-	(53)	(53)
Total	**(619,009)**	**(4,946,528)**	**(428,847)**	**(5,994,384)**

Financial instruments held for trading are mandatorily measured at fair value through profit or loss.

3. FINANCIAL INSTRUMENTS (CONTINUED)

	March 2019			
	Held for trading	Mandatorily at fair value through profit and loss	At amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Loans and advances to banks	-	-	3,048	3,048
Derivative financial instruments	449,130	-	-	449,130
Loans and advances to affiliates	-	560,042	1,004,094	1,564,136
Securities purchased under agreements to resell	-	4,535,216	-	4,535,216
Loans and advances to others	-	65,618	2,997	68,615
Prepayments and accrued income	-	12,687	451	13,138
Other assets	-	-	828	828
Financial investments	-	17	-	17
Total	**449,130**	**5,173,580**	**1,011,418**	**6,634,128**

	Held for trading	Designated at fair value through profit and loss	At amortised cost	Total
Financial Liabilities				
Customer accounts	-	-	(184)	(184)
Derivative financial instruments	(653,887)	-	-	(653,887)
Accruals and deferred income	-	(13,401)	(7,192)	(20,593)
Borrowings from affiliates	-	-	(761,682)	(761,682)
Borrowing from others	-	(38,370)	(3,375)	(41,745)
Securities sold under agreements to repurchase	-	(599,980)	-	(599,980)
Bonds and medium term notes	-	(4,321,854)	-	(4,321,854)
Other liabilities	-	-	(126)	(126)
Total	**(653,887)**	**(4,973,605)**	**(772,559)**	**(6,400,051)**

Financial instruments held for trading are mandatorily measured at fair value through profit or loss.

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 present 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.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy - Assets

30 September 2019:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative financial instruments	-	487,947	93,857	581,804
Securities purchased under agreements to resell	-	4,536,913	-	4,536,913
Loans and advances to afiliates	-	769,410	-	769,410
Loans and advances to others	-		65,207	65,207
Prepayments and accrued income	-	10,286	-	10,286
Financial investments	-	18	-	18
	-	**5,804,574**	**159,064**	**5,963,638**

31 March 2019:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Derivative financial instruments	-	357,028	92,102	449,130
Securities purchased under agreements to resell	-	4,535,216	-	4,535,216
Loans and advances to afiliates	-	560,042	-	560,042
Loans and advances to others	-	-	65,617	65,617
Prepayments and accrued income	-	12,687	-	12,687
Financial investments	-	17	-	17
	-	**5,464,990**	**157,719**	**5,622,709**

Fair value hierarchy - Liabilities

30 September 2019:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Derivative financial instruments	-	479,043	139,965	619,008
Accruals and deferred income	-	10,119	-	10,119
Bonds and medium-term notes	-	4,473,511	-	4,473,511
Securities sold under agreements to repurchase	-	37,889	-	37,889
Borrowings from others	-	425,009	-	425,009
	-	**5,425,571**	**139,965**	**5,565,536**

31 March 2019:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Derivative financial instruments	-	456,603	197,284	653,887
Accruals and deferred income	-	13,401	-	13,401
Bonds and medium-term notes	-	4,321,854	-	4,321,854
Securities sold under agreements to repurchase	-	599,980	-	599,980
Borrowings from others	-	38,370	-	38,370
	-	**5,430,208**	**197,284**	**5,627,492**

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 Global 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 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.

Movements in Level 3 financial instruments

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.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2019 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

5. VALUATION PROCESSES (CONTINUED)

Movements in Level 3 financial instruments

30 September 2019	At 1 April 2019	Total gains (losses) in P&L	Settlement	Net transfers in to level 3	Net transfers (out) of level 3	At 30 September 2019	Unrealised Total gains (losses) in P&L
$'000s							
Financial assets							
Derivative financial instruments	92,102	13,469	(11,760)	46	-	93,857	8,371
Loans and advances to others	65,617	(375)	(35)	-	-	65,207	(375)
	157,719	**13,094**	**(11,795)**	**46**	**-**	**159,064**	**7,996**

30 September 2019	At 1 April 2019	Total gains (losses) in P&L	Settlement	Net transfers in to level 3	Net transfers (out) of level 3	At 30 September 2019	Unrealised Total gains (losses) in P&L
$'000s							
Financial liabilities							
Derivative financial instruments	197,284	(55,479)	(1,840)	-	-	139,965	(47,762)
	197,284	**(55,479)**	**(1,840)**	**-**	**-**	**139,965**	**(47,762)**

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

During the period, financial assets and liabilities were transferred into Level 3 as certain parameters became unobservable or more significant.

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NOTES TO INTERIM REPORT (CONTINUED)

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 2019 and 31 March 2019.

Class of financial instruments	Fair value $'000	Valuation techniques	Significant Unobservable inputs	Range
30 September 2019				
Derivative financial instruments				
- Assets	93,857	DCF/Option Models	Dividend Yield	3.9% - 5.9%
			Volatilities	8.5% - 23.1%
- Liabilities	(139,965)		Correlations	(0.27) – 0.77
Loans and advances to others	65,207		No significant unobservable inputs[1]	

Class of financial instruments	Fair value $'000	Valuation techniques	Significant Unobservable inputs	Range
31 March 2019				
Derivative financial instruments				
- Assets	92,102	DCF/Option Models	Dividend Yield	2.1% - 7.8%
			Volatilities	9.2% - 23.6%
- Liabilities	(197,284)		Correlations	(0.27) – 0.90
Loans and advances to others	65,617		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 below 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, Debtors, Cash at bank and in hand, Borrowings from fellow subsidiary undertakings, Cash collateral and Other liabilities.

Cash at bank and in hand, Other debtors, Borrowings from fellow subsidiary undertakings and Cash Collateral 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.

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NOTES TO INTERIM REPORT (CONTINUED)

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 2019 and 31 March 2019.

	Carrying amount	Fair value	Fair value by level Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000
30 September 2019					
Financial Assets:					
Loans and advances to banks	5,572	5,572	-	5,572	-
Loans and advances to affiliates	225,080	225,080	-	225,080	-
Loans and advances to others	-	-	-	-	-
Prepayments and accrued income	420	420	-	420	
Other assets	10,634	10,634	-	10,634	-
	241,706	**241,706**	**-**	**241,706**	**-**
Financial Liabilities:					
Customer accounts	(154)	(154)	-	(154)	-
Accruals and deferred income	(6,884)	(6,884)	-	(6,884)	-
Borrowing from affiliates	(417,508)	(417,508)	-	(417,508)	-
Borrowing from others	(3,967)	(3,967)	-	(3,967)	-
Lease liabilities	(281)	(281)	-	(281)	-
Other liabilities	(53)	(53)	-	(53)	-
	(428,847)	**(428,847)**	**-**	**(428,847)**	**-**
31 March 2019					
Financial Assets:					
Loans and advances to banks	3,048	3,048	-	3,048	-
Loans and advances to affiliates	1,004,094	1,004,094	-	1,004,094	-
Loans and advances to others	2,997	2,997	-	2,997	-
Prepayments and accrued income	451	451	-	451	
Other assets	828	828	-	828	-
	1,011,418	**1,011,418**	**-**	**1,011,418**	**-**
Financial Liabilities:					
Customer accounts	(184)	(184)	-	(184)	-
Accruals and deferred income	(7,192)	(7,192)	-	(7,192)	-
Borrowing from affiliates	(761,682)	(761,682)	-	(761,682)	-
Borrowing from others	(3,375)	(3,375)	-	(3,375)	-
Other liabilities	(126)	(126)	-	(126)	-
	(772,559)	**(772,559)**	**-**	**(772,559)**	**-**

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 2019, the maximum exposure on these financial guarantee contracts amounted to $123,552,110 (March 2019: $114,577,466).

The Bank has also provided a guarantee in respect of certain commercial papers issued by another Nomura Group company. At 30 September 2019, the maximum exposure on this guarantee amounted to $21,799,007 (March 2019: nil)

Commitments

The Bank had commitments as at 30 September 2019 amounting to $1,664,330,602 (31 March 2019: $1,667,323,688) 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

	September 2019 $'000	March 2019 $'000
Bonds and medium-term notes, by remaining maturity:		
- Less than 1 year	945,296	840,884
- Less than 5 years but greater than 1 year	469,048	480,716
- Greater than 5 years	3,059,167	3,000,254
Total	**4,473,511**	**4,321,854**

As of 30 September 2019, 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 $163,036,886 (March 2019: $122,349,307) 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 $15,440,803 (March 2019: gain of $44,316,723) and realised loss of $115,451 (March 2019: $701,055), as well as a U.K. corporation tax credit of $2,558,744 (March 2019: charge of $7,400,642) arising during the year. The cumulative valuation adjustment resulting from own credit, included in the fair values of bonds and medium notes in the statement of financial position, is a credit of $39,303,779 at 30 September 2019 (March 2019: credit of $23,862,977). The Bank calculates and applies an own credit adjustment based on movements in the credit spread of the Nomura Group.

7. BONDS AND MEDIUM TERM NOTES (CONTINUED)

Movement in bonds and medium term notes

The bank typically hedges the returns it is 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.

$,000	As at 1 April 2019	Issuance	Redemption	Others	As at 30 September 2019
Bonds and medium term notes	4,321,854	1,478,808	(1,493,827)	166,676	4,473,511
Total	**4,321,854**	**1,478,808**	**(1,493,827)**	**166,676**	**4,473,511**

$,000	As at 1 April 2018	Issuance	Redemption	Others	As at 31 March 2019
Bonds and medium term notes	4,460,415	1,769,503	(1,913,124)	5,060	4,321,854
Total	**4,460,415**	**1,769,503**	**(1,913,124)**	**5,060**	**4,321,854**

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NOTES TO INTERIM REPORT (CONTINUED)

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. Included within the Bank's statement of financial position are the following transactions with Nomura group entites:

	30 September 2019 $'000	31 March 2019 $'000
Assets:		
Derivative financial instruments	484,569	429,495
Loans and advances to affiliates	994,490	1,564,136
Securities purchased under agreements to resell	4,536,913	4,535,216
Prepayments and accrued income	10,704	12,959
Other assets	8,401	404
	6,035,077	**6,542,210**
Liabilities:		
Derivative financial instruments	496,995	480,218
Accruals and deferred income	6,134	6,350
Borrowings from affiliates	417,508	761,682
	920,637	**1,248,250**

Additionally, the Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP. The Bank's obligation to pay the U.K. 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 U.K. tax group.

For the years ended 31 March 2019 and 31 March 2018, 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.

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

	30 September 2019 $'000	30 September 2018 $'000
Interest income	38,041	39,482
Intrest expense	(1,410)	(517)
Fee income	14,781	29,485
Fee expense	(1,524)	(1,804)
Administrative expenses towards SLA & Technology charges	(3,914)	(4,714)
	45,974	**61,932**

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.