NOMURA BANK INTERNATIONAL PLC

INTERIM REPORT
30 September 2020

COMPANY REGISTRATION NUMBER: 1981122

STRICTLY PRIVATE AND CONFIDENTIAL

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2020 (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 2020 to 30 September 2020. The 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, DESCRIPTION OF PRINCIPAL RISKS AND INFORMATION REGARDING BRANCHES

Principal Activities

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

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

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

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

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

	Period ended 30 September 2020 $'000	Period ended 30 September 2019 $'000
Net fee income	26,439	14,106
Profit after tax	3,886	6,252
Total comprehensive loss	(112,200)	(6,746)

	Period ended 30 September 2020 $'000	Period ended 31 March 2020 $'000
Total assets	6,280,102	7,134,357
Total liabilities	6,062,493	6,792,548
Shareholders' funds	217,609	341,809

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Financial Performance:

The Bank reported a profit after tax for the period of $3,886,544 (September 2019: $6,251,761), driven mainly by increased facilitation fee income for issuance facilities provided to NIP offset by decreased net interest income from lower interest margins.

Nomura’s own credit spreads tightened during the six months to September 2020, generating $116,086,597 (September 2019: $12,997,510) other comprehensive loss (net of tax) on the notes in issue during the period.

Financial Position:

The Bank's total assets decreased by 12% to $6,280,102,186 since 31 March 2020 driven by a decrease in the Bank's derivative assets as spreads tightened compared to March 2020, and a decrease in reverse repurchase agreements offset by increase in loans and advances to affiliates.

The Bank's total liabilities mirrored the movement in total assets with decreases in the Bank’s derivative liabilities, repurchase agreements and commercial papers in issue; offset by an increase in bonds and medium-term notes issued.

DIRECTORS

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

David Godfrey	Non-Executive Chairman
	Non-Executive Director
John Tierney	Director and Chief Executive Officer ("CEO")
Jonathan Britton	Non-Executive Director
Neeta Atkar	Non-Executive Director
Takeo Aoki	Director

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

Further information on the management of these risks is provided in Note 3 of this report.

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FUTURE DEVELOPMENTS

BREXIT

The United Kingdom's membership of the European Union ended on 31 January 2020 ("Brexit") in accordance with the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the "Withdrawal Agreement"). The Withdrawal Agreement provides for a transition period during which EU rules and regulations continue to apply to the UK. Whilst the future agreement between the UK and EU are currently under negotiation, its final form and substance remain 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 the transition period ends without any agreement between the UK and EU in respect to continuation of access for financial services, including passporting rights, the Bank may lose access to the EEA, adversely affecting 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 broker-dealer entity, Nomura Financial Products Europe GmbH ("NFPE") in the Federal Republic of Germany was established in 2019. NFPE is a subsidiary of NEHS and is eligible for passporting rights if no agreement is reached before the transition period ends.

COVID-19 PANDEMIC

On 11 March 2020, COVID-19 was declared as a global pandemic by the World Health Organisation. Credit spreads widened sharply, equity prices declined to 2016 levels and liquidity tightened across international financial markets. Consequently, both the Bank and the Nomura Group implemented their respective Business Continuity Plans to prioritise the Bank's role;

- as a capital market intermediary and liquidity provider;
- to support the recovery of the economy whilst ensuring the safety of our clients, employees and their families;
- to ensure uninterrupted business operations across all business and corporate functions;
- to maintain a robust capital and liquidity position, as details in the capital management policy as detailed in note and risk management in note .

Given the Bank's strong capital and liquidity positions, together with continued parental support, the Bank will be able to meet all prudential requirements amid the market volatility driven by COVID-19. Therefore, the Directors have a reasonable expectation that the Bank is able to continue in operational existence for the foreseeable future and continue to prepare the Financial Statements on a going concern basis.

GOING CONCERN

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in the Management Report. In addition, Notes 13 and 14 of the statutory financial statements for the year to 31 March 2020 describe the Bank's objectives, policies and processes for risk management and capital management, as well as its exposures to credit and liquidity risk.

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

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

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

REGULATION AND REGULATORY CHANGES

Regulations

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

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

- On 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"). These updates entered into force in June 2019 with the majority of changes being introduced two years later in June 2021. Among other things these proposed changes include the introduction of binding minimum leverage and net stable funding ratios, changes to the calculations for counterparty credit risk of derivatives, a tightening of large exposure limits, introduction of new reporting requirements for market risk and the introduction of a new EU intermediate parent undertaking requirement. These reforms are generally expected to lead to an increase in local capital and liquidity requirements and increased costs of compliance. The Bank has a Regulatory change program which is managing the transition through to June 2021.

- The internal minimum requirement for eligible liabilities ("MREL") became applicable in the UK for all UK incorporated institutions from 1 January 2019 for firms whose failure would have a significant impact on the UK financial system and for certain overseas firms where the Bank of England ("BOE") would support a home resolution authority in carrying out a cross-border resolution.

- In July 2019, the BOE and UK PRA published a policy statement on the Resolvability Assessment Framework ("RAF"). The proposals for the RAF bring together existing policies such as MREL and Operational Continuity in Resolution ("OCIR") as well as other new resolution policies in order to follow the resolution principles set out by the FSB. Under the policy, it is expected firms perform an assessment of their preparations for resolution and the BOE provide a public statement concerning resolvability of each firm.

- The European Market Infrastructure Regulation ("EMIR") became effective on 16 August 2012, and applies to any entity established in the EU that is a legal counterparty to a derivative contract, even when trading with non-EU firms. EMIR was created with the intention of stabilizing OTC markets found within EU member states. Although the majority of EMIR regulations have already been implemented, on 28 May 2019, Regulation (EU) 2019/834 (EMIR REFIT) was published in the EU's Official Journal, with the aim of amending EMIR to make some of its requirements simpler and more proportionate. With a few exceptions, the majority of the provisions in the Regulation entered into force on 17 June 2019.

REGULATION AND REGULATORY CHANGES (CONTINUED)

- On 12 January 2016, the Securities Financing Transactions Regulation (“SFTR”), which forms part of the EU’s package of legislation targeted at reforming shadow banking and aims to improve transparency in the securities financing transactions (“SFTs”) market, came into force subject to a range of transitional provisions over a number of years. On 11 April 2019, the final regulatory technical standards entered into force and MiFID firms were due to commence their reporting one year later on 11 April 2020. However, due to the COVID-19 pandemic, the reporting under the SFTR has been extended until 13 July 2020. Furthermore, in preparation of post-EU withdrawal, the UK Government has stated that the UK will not be taking action to incorporate into UK law the reporting obligation of the EU’s SFTR for non-financial counterparties (NFCs).

- The Fifth Money Laundering Directive (“5MLD”), came into force in the EU on 26 April 2018 and for implementation by EU Member States by 10 January 2020. Not all Member States have yet been able to implement the changes. However the UK government has enacted the regulations bringing into force the 5MLD and the provisions are contained in the Money Laundering and Terrorist Financing (Amendment) Regulations 2019. The changes impose additional obligations within the financial services sector. 5MLD amends 4MLD, and includes provisions that enhance the required level of transparency around beneficial ownership of corporates and trusts, tightens some controls relating to Politically-Exposed Persons and high risk third countries and also addresses risks associated with certain technological innovation, particularly virtual currencies.

- The Senior Managers and Certification Regime (“SM&CR”) came into force on 7 March 2016 with the aim of reducing the risk of harm to consumers and strengthening market integrity by making firms, and individuals within those firms, more accountable for their conduct and competence. In July 2018, the UK FCA and UK PRA published near-final rules extending SM&CR to cover all financial services firms in the UK to apply from 9 December 2019. On 8 March 2019, the UK FCA announced its final rules on its proposed Directory - a new public register that will enable consumers, firms and other stakeholders to find information on key individuals working in financial services who are not otherwise appointed and publicly registered under the SM&CR. Firms were to submit data on Directory individuals in December 2019, and the Directory was expected to go live in March 2020. However, due to the COVID-19 pandemic, the implementation date of the directory of certified and assessed persons is currently under review.

- In November 2019, the EU Benchmark Regulation (“BMR”) was amended to include two new types of "climate benchmarks" - 'Paris-Aligned' Benchmarks (“PABs”) and Climate Transition Benchmarks (“CTBs”). The Low-Carbon Benchmarks Regulation introduced the requirement (under Article 13 of the BMR) that administrators of benchmarks (save interest rate and foreign exchange benchmarks) must provide an explanation of how the key elements of their benchmark methodologies reflect ESG factors. The requirements are to be complied with by 30 April 2020. However, since the draft regulatory technical standards are currently subject to public consultation and a number of important details are subject to these delegated acts, ESMA issued a ‘No Action Letter’ encouraging EU national regulators not to force these ‘Level 1’ requirements until these delegated acts are finalised.

- Interest rate benchmarks including, among others, the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (EURIBOR), the Euro Overnight Index Average (EONIA) and certain other Interbank Offered Rates (“IBORs”) are being reformed. The UK is due to make the transition from LIBOR to Sterling Overnight Index Average (“SONIA”) by the end of 2021 although certain interim milestones have been extended due to the COVID-19 pandemic.

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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 9 to 28 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 6 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 10 December 2020

Christopher Barlow
Company secretary

10 December 2020

Company Registration number 1981122

NOMURA BANK INTERNATIONAL PLC

INDEPENDENT REVIEW REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE PERIOD ENDING 30 SEPTEMBER 2020 (UNAUDITED)

Introduction
We have been engaged by the Bank to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 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 6. 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 Bank, 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 Bank 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 2020 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

Nicholas Dawes (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 *December 2020*

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

INCOME STATEMENT FOR THE PERIOD ENDING 30 SEPTEMBER 2020 (UNAUDITED)

	Note	Period ending 30 September 2020 $'000	Period ending 30 September 2019 $'000
INCOME			
Interest income calculated using effective interest method		9,221	12,269
Other interest and similar income		8,440	27,854
Interest expense calculated using effective interest method		(612)	(1,427)
Other interest and similar expenses		(2,937)	(4,355)
NET INTEREST INCOME		**14,112**	**34,341**
Fee and commission income		29,117	15,812
Fee and commission expense		(2,678)	(1,706)
Dealing Loss		(30,072)	(35,580)
TOTAL OPERATING INCOME		**10,479**	**12,867**
General and administrative expenses		(5,720)	(5,209)
Credit impairment charge		39	60
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		**4,798**	**7,718**
Tax charge on profit on ordinary activities		(912)	(1,466)
PROFIT FOR THE PERIOD		**3,887**	**6,252**
ATTRIBUTABLE TO: **Equity holders of the parent**			
Profit for the period from continuing operations		**3,887**	**6,252**

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

The notes on pages 15 to 28 form part of these condensed financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING 30 SEPTEMBER 2020 (UNAUDITED)

	Note	Period ending 30 September 2020 $'000	Period Ending 30 September 2019 $'000
PROFIT FOR THE PERIOD		**3,887**	**6,252**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement			
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk (net of related tax effects)	5	(116,086)	(12,998)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**(116,086)**	**(12,998)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(112,200)**	**(6,746)**

The notes on pages 15 to 28 form part of these condensed financial statements.

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NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30 SEPTEMBER 2020 (UNAUDITED)

	Called-up Share Capital	Retained Earnings	Own Credit Reserve	Total
	$'000	$'000	$'000	$ 000
As at 1 April 2020	255,000	23,137	63,672	341,809
Dividends paid during the year	-	(12,000)	-	(12,000)
Transferred from own credit reserve to retained earnings during the year	-	888	(888)	-
Profit for the year	-	3,887	-	3,887
Other Comprehensive Loss	-	-	(116,087)	(116,087)
At 30 September 2020	**255,000**	**15,912**	**(53,303)**	**217,609**

	Called-up Share Capital	Retained Earnings	Own Credit Reserve	Total
	$'000	$'000	$'000	$ 000
As at 1 April 2019	255,000	45,809	(65,604)	235,205
Dividends paid during the year	-	(15,000)	-	(15,000)
Transferred from own credit reserve to retained earnings during the year	-	(1,045)	1,045	-
Profit for the year	-	6,252	-	6,252
Other Comprehensive Loss	-	-	(12,998)	(12,998)
At 30 September 2019	**255,000**	**36,016**	**(77,557)**	**213,459**

During the period, a gain of $887,741 (September 2019: loss of $1,044,514) 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 15 to 28 form part of these condensed financial statements.

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NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2020

	Note	Unaudited September 2020 $'000	Audited March 2020 $'000
Assets			
Loans and advances to banks	2	1,958	17,158
Derivative financial instruments	2	908,361	1,895,104
Loans and advances to affiliates	2	1,609,781	751,089
Securities purchased under agreements to resell	2	3,674,851	4,376,355
Loans and advances to others	2	61,898	66,422
Prepayments and accrued income	2	2,548	3,370
Other assets	2	9,629	24,636
Right-of-use assets		147	205
Financial investments	2	20	18
Deferred tax asset		10,909	-
Total Assets		**6,280,102**	**7,134,357**
Liabilities			
Customer Accounts	2	166	156
Derivative financial instruments	2	935,717	1,929,734
Accruals and deferred income	2	12,730	14,100
Borrowings from affiliates	2	401,045	327,576
Borrowings from others	2	47,405	38,027
Commercial papers issued	2	345,270	758,858
Securities sold under agreements to repurchase	2	-	425,000
Bonds and medium-term notes	2, 5	4,314,864	3,284,183
Group relief payable		5,093	3,398
Other liabilities	2	203	271
Deferred tax liability		-	11,245
Total Liabilities		**6,062,493**	**6,792,548**
Shareholders' funds			
Called up share Capital		255,000	255,000
Retained earnings		15,912	23,137
Own credit reserve		(53,303)	63,672
Total Equity		**217,609**	**341,809**
Total Liabilities and Equity		**6,280,102**	**7,134,357**

The notes on pages 15 to 28 form part of these condensed financial statements. Approved by the Board of Directors on 10 December 2020 and subsequently signed on its behalf on 10 December 2020.

John Tierney
Director

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NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2020 (UNAUDITED)

	Period ending 30 September 2020 $'000	Period Ending 30 September 2019 $'000
Operating activities		
Profit before taxation	4,798	7,718
Non-cash adjustments to reconcile profit for the period to net cash flows		
Depreciation	58	74
Change in working capital adjustments		
Net change in derivative assets	986,743	(132,674)
Net change in loans and advances to affiliates	(858,692)	569,646
Net change in securities purchased under agreements to resell	701,504	(1,697)
Net change in loans and advances to others	4,524	3,407
Net changes in prepayments and accrued income	822	2,433
Net change in other assets	15,007	(9,806)
Net change in financial investments	(2)	-
Net change in customer accounts	10	(30)
Net change in derivative liabilities	(994,017)	(34,878)
Net change in accruals and deferred income	(1,370)	(3,590)
Net change in borrowings from affiliates	73,469	(344,174)
Net change in borrowings from others	9,378	111
Net change in commercial papers issued	11,462	-
Net change in securities sold under agreements to repurchase	(425,000)	(174,971)
Net change in bonds and medium-term notes	101,272	151,121
Net change in other liabilities	(9)	(73)
Net cash flow from operating activities	**(370,043)**	**32,617**
Cash flows from financing activities		
Proceeds from issuance of bonds and commercial papers	1,683,730	1,478,806
Repayments of bonds and commercial papers	(1,316,829)	(1,493,827)
Dividends paid	(12,000)	(15,000)
Payment of principal portion of lease liabilities	(58)	(72)
Net cash flows from financing activities	**354,843**	**(30,093)**
Net (decrease)/increase in cash and cash equivalents	**(15,200)**	**2,524**
Cash and cash equivalents at the beginning of the period	**17,158**	**3,048**
Cash and cash equivalents at the end of the period	**1,958**	**5,572**
Included within operational cash flows		
Interest paid	(3,147)	(4,332)
Interest received	18,417	40,900

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2020 (CONTINUED) (UNAUDITED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes		
	1 April 2020 $'000	Cash flows $'000	Fair value changes $'000	Foreign exchange & other $'000	30 September 2020 $'000
Bonds and medium term notes	3,284,183	791,951	137,458	101,272	4,314,864
Commercial papers issued	758,858	(425,050)	-	11,462	345,270
Lease liabilities	208	(61)	-	3	150
Total liabilities from financing activities	**4,043,249**	**366,840**	**137,458**	**112,737**	**4,660,284**

			Non-cash changes		
	1 April 2019 $'000	Cash flows $'000	Fair value changes $'000	Foreign exchange & other $'000	31 March 2020 $'000
Bonds and medium term notes	4,321,854	(1,003,978)	(122,507)	88,814	3,284,183
Commercial papers issued	-	780,839	-	(21,981)	758,858
Lease liabilities	353	(153)	-	8	208
Total liabilities from financing activities	**4,322,207**	**(223,292)**	**(122,507)**	**66,841**	**4,043,249**

The cash and cash equivalents mainly consist of nostro balance.

The notes on pages 15 to 28 form part of these condensed financial statements.

NOTES TO THE INTERIM REPORT

1 ACCOUNTING POLICIES

(a) Basis of Accounting

The condensed interim financial statements as at and for the half-year to 30 September 2020 of 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 2020 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, and 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 2020 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 judgements, 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 2020.

(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.

1 ACCOUNTING POLICIES (continued)

(d) Standards issued but not yet effective

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 2020 in addition to and except as disclosed below.

The IASB completed Phase 1 in 2019 with the publication of 'Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7' (IBOR reform Phase 1) which provided temporary reliefs to enable hedge accounting to continue during the period of uncertainty before the replacement of an IBOR with an RFR. These reforms have no effect on the Bank as hedge accounting is not applied.

On 27 August 2020, the International Accounting Standards Board (IASB or the Board) published 'Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an InterBank Offered Rate (an IBOR) with an alternative nearly risk-free interest rate (an RFR). Publication of IBOR reform Phase 2 concludes the IASB's work to respond to the effects of IBOR reform on financial reporting. The Bank has not early adopted these reforms during the period.

2 FINANCIAL INSTRUMENTS

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

	30 September 2020			
	Held for trading	Mandatorily at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Loans and advances to banks	-	-	1,958	1,958
Derivative financial instruments	908,361	-	-	908,361
Loans and advances to affiliates	-	569,752	1,040,029	1,609,781
Securities purchased under agreements to resell	-	3,674,851	-	3,674,851
Loans and advances to others	-	61,898	-	61,898
Prepayments and accrued income[1]	-	729	1,623	2,352
Other assets[1]	-	-	9,240	9,240
Financial investments	-	20	-	20
	908,361	**4,307,250**	**1,052,850**	**6,268,461**

	Held for trading	Designated at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Liabilities				
Customer accounts	-	-	(166)	(166)
Derivative financial instruments	(935,717)	-	-	(935,717)
Accruals and deferred income	-	(7,286)	(5,241)	(12,527)
Borrowings from affiliates	-	(100,912)	(300,133)	(401,045)
Borrowings from others	-	(22,500)	(24,905)	(47,405)
Commercial papers issued	-	-	(345,270)	(345,270)
Bonds and medium-term notes	-	(4,314,864)	-	(4,314,864)
Other liabilities	-	-	(156)	(156)
	(935,717)	**(4,445,562)**	**(675,871)**	**(6,057,150)**

[1] Excludes non-financial assets of $196,928 (2020: $262,147) from 'Prepayments and accrued income', and $389,106 (2020: $389,106) from 'Other assets'.

2 FINANCIAL INSTRUMENTS (continued)

	31 March 2020			
	Held for trading	Mandatorily at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Loans and advances to banks	-	-	17,158	17,158
Derivative financial instruments	1,895,104	-	-	1,895,104
Loans and advances to affiliates	-	104,118	646,971	751,089
Securities purchased under agreements to resell	-	4,376,355	-	4,376,355
Loans and advances to others	-	66,422	-	66,422
Prepayments and accrued income	-	1,120	1,988	3,108
Other assets	-	-	24,247	24,247
Financial investments	-	18	-	18
	1,895,104	**4,548,033**	**690,364**	**7,133,501**

	Held for trading	Designated at fair value through profit or loss	Amortised cost	Total
	$'000	$'000	$'000	$'000
Financial Liabilities				
Customer accounts	-	-	(156)	(156)
Derivative financial instruments	(1,929,734)	-	-	(1,929,734)
Accruals and deferred income	-	(5,314)	(8,681)	(13,995)
Borrowings from affiliates	-	-	(327,576)	(327,576)
Borrowings from others	-	(35,491)	(2,536)	(38,027)
Securities purchased under agreements to resell	-	(425,000)	-	(425,000)
Bonds and medium-term notes	-	(3,284,183)	-	(3,284,183)
Commercial papers issued	-	-	(758,858)	(758,858)
Other liabilities	-	-	(208)	(208)
	(1,929,734)	**(3,749,988)**	**(1,098,015)**	**(6,777,737)**

3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) The fair value of financial assets and liabilities at amortised cost due within 12 months are assumed to approximate to their carrying values.

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

Fair value hierarchy

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

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

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

The following tables presents information about the Bank's financial assets and financial liabilities measured at fair value within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Bank to determine such fair values. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement of the financial instrument.

3 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Heirarchy - Financial Assets

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 September 2020				
Derivative financial instruments	-	844,920	63,441	908,361
Securities purchased under agreements to resell	-	3,674,851	-	3,674,851
Loans and advances to affiliates	-	569,752	-	569,752
Loans and advances to others	-	-	61,898	61,898
Prepayments and accrued income	-	729	-	729
Financial investments	-	-	20	20
	-	**5,090,252**	**125,359**	**5,215,611**
31 March 2020				
Derivative financial instruments	-	1,870,643	24,461	1,895,104
Securities purchased under agreements to resell	-	4,376,355	-	4,376,355
Loans and advances to affiliates	-	104,118	-	104,118
Loans and advances to others	-	-	66,422	66,422
Prepayments and accrued income	-	1,120	-	1,120
Financial investments	-	-	18	18
	-	**6,352,236**	**90,901**	**6,443,137**

Fair Value Heirarchy - Financial Liabilities

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 September 2020				
Derivative financial instruments	-	849,959	85,758	935,717
Accruals and deferred income	-	7,286	-	7,286
Bonds and medium-term notes	-	4,314,864	-	4,314,864
Borrowings from others	-	22,500	-	22,500
Borrowings from affiliates	-	100,912	-	100,912
	-	**5,295,521**	**85,758**	**5,381,279**
31 March 2020				
Derivative financial instruments	-	1,714,947	214,787	1,929,734
Accruals and deferred income	-	5,314	-	5,314
Bonds and medium-term notes	-	3,284,183	-	3,284,183
Securities sold under agreements to repurchase	-	425,000	-	425,000
Borrowings from others	-	35,491	-	35,491
	-	**5,464,935**	**214,787**	**5,679,722**

3 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation processes

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these financial statements including those classified as Level 3 within the fair value hierarchy, the Bank operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the businesses assuming the risk of the financial instrument. Such functions within Nomura Group with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Product Control Valuations Group ("PCVG") within Nomura's Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument. While it is the responsibility of our businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgement, the valuation used within these financial statements is made by senior managers independent of the businesses. This group reports to the Global Head of Middle Office and ultimately to the Chief Financial Officer ("CFO") of Nomura Group;

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

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

Sensitivity of fair value to changes in unobservable inputs

Level 3 financial instruments are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy and the gains or losses 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.

Movements in Level 3 financial instruments

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

3 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

30 September 2020	**At 1 April 2020 $'000**	**Total gains / (losses) in P&L $'000**	**Net cash (in)/out $'000**	**Settlements $'000**	**Net transfers out of level 3 $'000**	**At 30 September 2020 $'000**	**Unrealised total gains / (losses) in P&L $'000**
Financial assets							
Derivative financial instruments	24,461	43,021	-	(2,672)	(1,369)	63,441	43,166
Loans and advances to others	66,422	(3,054)	(1,470)	-	-	61,898	(3,054)
Financial investments	18	1	1	-	-	20	1
	90,901	**39,968**	**(1,469)**	**(2,672)**	**(1,369)**	**125,359**	**40,113**
Financial liabilities							
Derivative financial instruments	214,787	(117,267)	-	(11,012)	(750)	85,758	110,330
	214,787	**(117,267)**	**-**	**(11,012)**	**(750)**	**85,758**	**110,330**

Total gains and losses on financial instruments included in the above table are included in ‘Dealing loss’ in the profit and loss account.

The Bank assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place.

During the year, no financial instruments were transferred into level 3.

3 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A Level 3 quantitative disclosures on significant unobservable inputs

The following table presents quantitative information about the significant unobservable inputs and assumptions used by the Bank for Level 3 financial instruments as of 30 September 2020 and 31 March 2020 .

	Fair value $'000	Valuation techniques	Significant unobservable inputs	Range
30 September 2020				
Derivative financial instruments				
-Assets	63,441	DCF / Option	Dividend Yield	0.7% - 5.4%
-Liabilities	(85,758)	Models	Volatilities	10.1% - 90.4%
			Correlations	(0.27) - 0.97
Loans and advances to others[1]	61,898		No significant unobservable inputs	
Financial investments	20		No significant unobservable inputs	
31 March 2020				
Derivative financial instruments				
-Assets	24,461	DCF / Option	Dividend Yield	1.7% - 10.0%
-Liabilities	(214,787)	Models	Volatilities	10.1% - 90.4%
			Correlations	(0.66) - 0.97
Loans and advances to others[1]	66,422		No significant unobservable inputs	
Financial investments	18		No significant unobservable inputs	

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

3 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

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

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

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instruments of which a portion of the ending balance was carried at fair value as of 30 September 2020 and 31 March 2020.

			Fair value by level		
	Carrying amount $'000	Fair value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
30 September 2020					
Financial Assets:					
Loans and advances to banks	1,958	1,958	-	1,958	-
Loans and advances to affiliates	1,040,029	1,040,029	-	1,040,029	-
Prepayments and accrued income	1,623	1,623	-	1,623	-
Other assets	9,240	9,240	-	9,240	-
	1,052,850	**1,052,850**	**-**	**1,052,850**	**-**
Financial Liabilities:					
Customer accounts	(166)	(166)	-	(166)	-
Accruals and deferred income	(5,241)	(5,241)	-	(5,241)	-
Borrowing from affiliates	(300,133)	(300,133)	-	(300,133)	-
Borrowing from others	(24,905)	(24,905)	-	(24,905)	-
Other liabilities	(156)	(156)	-	(156)	-
Commercial papers issued	(345,270)	(345,270)	-	(345,270)	-
	(675,871)	**(675,871)**	**-**	**(675,871)**	**-**

3 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)
As at 31 March 2020 (continued)

<u>**31 March 2020**</u>					
Financial Assets:					
Loans and advances to banks	17,158	17,158	-	17,158	-
Loans and advances to affiliates	646,971	646,971	-	646,971	-
Prepayments and accrued income	1,988	1,988	-	1,988	-
Other assets	24,247	24,247	-	24,247	-
	690,364	**690,364**	**-**	**690,364**	**-**
Financial Liabilities:					
Customer accounts	(156)	(156)	-	(156)	-
Accruals and deferred income	(8,681)	(8,681)	-	(8,681)	-
Borrowing from affiliates	(327,576)	(327,576)	-	(327,576)	-
Borrowing from others	(2,536)	(2,536)	-	(2,536)	-
Other liabilities	(208)	(208)	-	(208)	-
Commercial papers issued	(758,858)	(758,858)	-	(758,858)	-
	(1,098,015)	**(1,098,015)**	**-**	**(1,098,015)**	**-**

4 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities:

The Bank provides certain financial guarantees to third parties over their exposure to Nomura Group companies. At 30 September 2020 the exposure on these financial guarantee contracts amounted to $157,054,866 (31 March 2020: $191,475,320).

The Bank has also provided a guarantee in respect of certain commercial papers issued by another Nomura Group company. At 30 September 2020, the maximum exposure on this guarantee amounted to $17,622,367 (31 March 2020: 16,489,134)

Commitments:

The Bank had commitments as at 30 September 2020 amounting to $926,784,792 (31 March 2020: $1,408,991,792) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

5 BONDS AND MEDIUM-TERM NOTES

	30 September 2020 $'000	31 March 2020 $'000
Bonds and medium- term notes, by remaining maturity:		
- Less than 1 year	621,093	133,244
- Less than 5 years, but greater than 1 year	561,793	474,716
- Greater than 5 years	3,131,978	2,676,223
	4,314,864	**3,284,183**

As of 30 September 2020, 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 $151,600,035 (31 March 2020: $48,781,267) 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 $141,581,125 (31 March 2020: gain of $121,847,951) and realised gain of $4,154,234 (31 March 2020: $659,640), as well as a UK corporation tax credit of $21,370,421 (31 March 2020: charge of $15,548,603) 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 $43,596,150 at 30 September 2020 (31 March 2020: debit of $97,984,974). The Bank calculates and applies an own credit adjustment based on movements in the credit spreads of the Nomura Group.

5 BONDS AND MEDIUM-TERM NOTES (continued)

Movement in bonds and medium term notes

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

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

	Balance as at 31 March 2020	Issuance	Redemption	Fair value changes	Balance as at 30 September 2020
	$'000	$'000	$'000	$'000	$'000
Bonds and medium-term notes	3,284,183	1,345,579	(553,628)	238,730	4,314,864
	3,284,183	**1,345,579**	**(553,628)**	**238,730**	**4,314,864**

	Balance as at 31 March 2019	Issuance	Redemption	Fair value changes	Balance as at 31 March 2020
	$'000	$'000	$'000	$'000	$'000
Bonds and medium-term notes	4,321,854	2,660,802	(3,664,780)	(33,693)	3,284,183
	4,321,854	**2,660,802**	**(3,664,780)**	**(33,693)**	**3,284,183**

6 RELATED PARTY TRANSACTIONS

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

	30 September 2020 $'000	31 March 2020 $'000
Assets		
Derivative financial instruments	901,398	1,880,178
Loans and advances to affiliates	1,609,781	751,089
Securities purchased under agreements to resell	3,674,851	4,376,355
Prepayments and accrued income	2,345	3,104
Other assets	9,240	16,998
	6,197,615	**7,027,724**
Liabilities		
Derivative financial instruments	807,861	1,753,550
Accruals and deferred income	5,018	8,236
Borrowings from affiliates	401,045	327,576
	1,213,924	**2,089,362**

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 UK Bank Levy has been settled by NIP, who are responsible for reporting and paying the bank levy on behalf of the Nomura UK tax group.

For the periods ended 30 September 2020 and 31 March 2020, there were no impairment losses on any of the above disclosed related party receivables. The risks on the Bank's transactions is predominantly retained by other Nomura Group companies. Therefore, many "back-to-back" transactions exist between the Bank and other Nomura Group companies.

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

	30 September 2020 $'000	30 September 2019 '000
Interest income	17,438	38,041
Interest expense	(2,839)	(1,410)
Fee income	28,697	14,781
Fee expense	(890)	(1,524)
Administrative expenses towards SLA & Technology	(4,049)	(3,914)
	38,357	**45,974**

In addition to the above, the Bank has significant dependencies with other Nomura Group companies. The premises where the Bank is registered and operates are leased by Nomura Properties plc.