



NOMURA

NOMURA BANK INTERNATIONAL PLC

INTERIM REPORT
30 September 2016

COMPANY REGISTRATION NUMBER 1981122

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NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (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 2016 to 30 September 2016. The Bank is incorporated in England and Wales and its registered office is 1 Angel Lane, London, EC4R 3AB.

MANAGEMENT REPORT

PRINCIPAL ACTIVITIES

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

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

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

The Bank has branches in Milan, Italy, as well as representative offices in China and Turkey.

DIRECTORS

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

David Benson	Non-Executive Director
Jonathan Lewis	Director and Chief Executive officer (appointed on 30 September 2016)
John Tierney	Director
James Leng	Non-Executive Chairman
	Non-Executive Director
Lewis O'Donald	Director
Jonathan Britton	Non-Executive Director (appointed 27 July 2016)
David Godfrey	Non-Executive Director (appointed 27 July 2016)
Paul Spanswick	Director (resigned on 30 September 2016)
Clare Jones	Director (resigned on 02 September 2016)
John Baker	Director (resigned on 27 July 2016)

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

MANAGEMENT REPORT (CONTINUED)

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

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

	Period ended 30 Sep 2016 \$'000	Period ended 30 Sep 2015 \$'000
Operating income excluding gain/(loss) due to changes in own credit risk	11,359	11,206
Total operating (loss)/income	(49,719)	119,856
(Loss)/profit on ordinary activities before taxation	(55,848)	113,538
(Loss)/profit on ordinary activities after taxation	(56,002)	113,299
Total assets	8,612,819	10,479,003
Total liabilities	8,142,223	9,934,060
Shareholders' Funds	470,596	544,943

The Bank engages in a global note issuance business, which constitutes the majority of the Bank's liabilities. The Bank's other business is predominantly with affiliated companies in the United Kingdom.

The Bank reported a loss on ordinary activities before tax for the period ending 30 September 2016 of \$55,848,070 (period ending 30 September 2015: profit before tax of \$113,538,044). This is largely attributable to the tightening of Nomura Group own credit spreads, which has unfavourably impacted the Bank's results during this period. The impact of own credit included within the loss on ordinary activities before tax was a loss of \$61,077,718 compared to the \$108,649,879 own credit gain recorded in the period ending 30 September 2015.

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 provide asset and liability management for the balance sheet.

For the year ending 31 March 2017, the Bank will continue to focus on its activities to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group.

FUTURE DEVELOPMENTS

Following the outcome of the European Union (EU) referendum on 23 June 2016, the United Kingdom remains a member of the EU and will continue to be bound by European law and treaties until it formally exits. The Bank will continue to closely monitor developments and evaluate appropriate actions to safeguard client interests as the terms of the UK's future relationship with the EU becomes clearer.

RISK MANAGEMENT

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

The Bank's financial risk management objectives and policies are disclosed in note 18 of its statutory financial statements for the year to 31 March 2016. The Bank's principal risks and uncertainties have not changed in the period ending 30 September 2016.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

MANAGEMENT REPORT (CONTINUED)

GOING CONCERN

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. In addition, notes 18 and 21 of the statutory financial statements for the year to 31 March 2016 describe the Bank's objectives, policies and processes for risk management and capital management, as well as its exposures to credit and liquidity risk.

The Directors consider the Bank's capital position to be strong, given that the Bank hedges its market risk. Whilst the Bank has significant exposure to Nomura Group companies, and in particular to NIP, this is minimised through significant collateralisation. The Bank's net exposures with NIP are also supported by a limited written guarantee from the Bank's ultimate parent, NHI. The maturity profile of the Bank's liabilities is typically much longer dated than that of its assets, minimising the risk of the Bank not being able to meet its obligations as they fall due.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 5 to 23 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 European Union 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 24 November 2016

Christopher Barlow
Company Secretary

25 November 2016

Company Registration Number: 1981122

NOMURA BANK INTERNATIONAL PLC

INDEPENDENT REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE PERIOD ENDING 30 SEPTEMBER 2016 (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 2016 which comprises a statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and related notes 1 to 7. 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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group 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 Ireland) 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 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

	<u>Note</u>	<u>Company Period Ending 30 September 2016 \$'000</u>	<u>Company Period Ending 30 September 2015 \$'000</u>
INCOME			
Interest income and similar income		22,571	23,150
Interest expense and similar charges		<u>(7,818)</u>	<u>(7,478)</u>
NET INTEREST INCOME		14,753	15,672
Fee and commission income		34,784	42,384
Fee and commission expense		(6,854)	(5,000)
Dealing loss		<u>(31,324)</u>	<u>(41,850)</u>
OPERATING INCOME EXCLUDING GAIN/(LOSS) DUE TO CHANGES IN OWN CREDIT RISK		11,359	11,206
(Loss)/gain in relation to changes in own credit risk		<u>(61,078)</u>	<u>108,650</u>
TOTAL OPERATING (LOSS)/INCOME		(49,719)	119,856
Administrative expenses		(6,129)	(6,318)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(55,848)	113,538
Tax charge on (loss)/profit on ordinary activities	2	(154)	(239)
(LOSS)/PROFIT FOR THE PERIOD		<u>(56,002)</u>	<u>113,299</u>
Foreign currency (loss)/gains		<u>(33)</u>	<u>69</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u><u>(56,035)</u></u>	<u><u>113,368</u></u>

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

The notes on pages 12 to 22 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30 SEPTEMBER 2016
(UNAUDITED)

	<u>Called-up share capital</u> \$'000	<u>Retained earnings</u> \$'000	<u>Other Reserve</u> \$'000	<u>Total shareholders' equity</u> \$'000
As at 1 April 2016	555,000	(28,237)	(132)	526,631
Loss for the period	-	(56,002)		(56,002)
Foreign currency losses	-		(33)	(33)
Total comprehensive income	-	(56,002)	(33)	(56,035)
As at 30 September 2016	555,000	(84,239)	(165)	470,596

	<u>Called-up share capital</u> \$'000	<u>Retained earnings</u> \$'000	<u>Other Reserve</u> \$'000	<u>Total shareholders' equity</u> \$'000
As at 1 April 2015	555,000	(123,188)	(237)	431,575
Profit for the period	-	113,299	-	113,299
Foreign currency Gains/(losses)	-	-	69	69
Total comprehensive income	-	113,299	69	113,368
As at 30 September 2015	555,000	(9,889)	(168)	544,943

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

The notes on pages 12 to 22 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2016 (UNAUDITED)

	Note	Company	
		September 2016 \$'000	March 2016 \$'000
Assets			
Loans and advances to banks		7,447	5,372
Derivative financial instruments	3	533,044	544,255
Loans and advances to related parties		1,000,350	900,370
Securities purchased under agreements to resell		6,314,283	7,702,901
Loans and advances to others		1,439	91,530
Prepayments and accrued income		1,941	1,973
Other assets		28,079	42,241
Financial assets designated at fair value through profit and loss	3		
- Secured lending		627,918	733,595
- Other financial instruments		98,288	109,112
Available-for-sale financial investments	3	11	11
Fixed assets		19	22
Total Assets		8,612,819	10,131,382
Liabilities			
Customer accounts		185	187
Derivative financial instruments	3	1,206,035	1,534,398
Accruals and deferred income		43,701	35,127
Borrowing from related parties		609,183	533,895
Borrowing from others		46,584	51,808
Securities sold under agreements to repurchase		1,449,989	1,150,000
Financial liabilities designated at fair value through profit and loss			
- Bonds and medium-term notes	6	4,756,095	6,219,804
- Borrowings		-	51,273
- Other financial instruments		3,088	4,479
Group Relief Payable		23,751	23,751
Other liabilities		3,612	29
Total Liabilities		8,142,223	9,604,751
Shareholders' funds			
Called up share capital		555,000	555,000
Retained earnings		(84,239)	(28,237)
Other reserve		(165)	(132)
Total Equity		470,596	526,631
Total Liabilities and Equity		8,612,819	10,131,382

The notes on pages 12 to 22 form part of these financial statements

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

**STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2016 (CONTINUED)
(UNAUDITED)**

Approved by the board of Directors on 24 November 2016 and subsequently signed on its behalf on 25 November 2016 by:

Jonathan Lewis
Director

The notes on pages 12 to 22 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2016
(UNAUDITED)

	<u>Company</u> <u>Period Ending 30</u> <u>September 2016</u> \$'000	<u>Company</u> <u>Period Ending 30</u> <u>September 2015</u> \$'000
Operating activities		
(Loss)/profit before tax	(55,848)	113,538
Non-cash adjustments to reconcile (loss)/profit for the period to net cash flows		
Depreciation on fixed assets	3	3
Foreign exchange revaluation	(33)	69
Change in operating assets and liabilities		
Net change in loans and advances to related parties	(99,980)	29,990
Net change in loans and advances to others	90,091	696
Net change in borrowing from banks and other customers	(5,224)	7,106
Net change in borrowings from related parties	75,288	(170,836)
Net change in financial assets designated at fair value through profit and loss	116,502	122,832
Net change in financial liabilities designated at fair value through profit and loss	86,333	(96,137)
Net change in derivative assets	11,211	166,513
Net change in derivative liabilities	(328,363)	83,465
Net change in securities purchased under agreements to resell	1,388,618	(958,672)
Net change in securities sold under agreements to repurchase	299,989	(127,799)
Net change in other assets	14,159	5,905
Net change in other liabilities	(47)	(22,450)
Net change in corporation tax liability	3,581	-
Net change in prepayments and accrued income	32	(389)
Net change in accruals and deferred income	8,574	3,903
Income tax paid	(105)	(176)
Net cash flow provided by operating activities	<u>1,604,781</u>	<u>(842,439)</u>

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2016
(CONTINUED) (UNAUDITED)

	<u>Company</u> <u>Period Ending 30</u> <u>September 2016</u> \$'000	<u>Company</u> <u>Period Ending 30</u> <u>September 2015</u> \$'000
Financing activities		
Proceeds of borrowings and issuance of debt	233,945	1,607,230
Repayments of borrowings and redemption of debt	(1,836,651)	(772,165)
	<hr/>	<hr/>
Net cash flow (out) or in relating to financing activities	(1,602,706)	835,065
Net increase/(decrease) in cash and cash equivalents	2,075	(7,374)
Cash and cash equivalents at the beginning of the period	5,372	21,913
Cash and cash equivalents at the end of the period	<hr/> <u>7,447</u>	<hr/> <u>14,539</u>
Included within operational cash flows		
Interest paid	(7,903)	(8,438)
Interest received	21,598	23,400

NOMURA BANK INTERNATIONAL PLC

**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2016
(CONTINUED) (UNAUDITED)**

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

30 September 2016

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

31 March 2016

	<u>31 March</u> <u>2016</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2015</u> \$'000
Loans and advances to other banks repayable on demand	5,372	(16,541)	21,913
Net Cash and Cash Equivalents	<u>5,372</u>	<u>(16,541)</u>	<u>21,913</u>

30 September 2015

	<u>30 September</u> <u>2015</u> \$'000	<u>Cash Flow</u> \$'000	<u>31 March</u> <u>2015</u> \$'000
Loans and advances to other banks repayable on demand	14,539	(7,374)	21,913
Net Cash and Cash Equivalents	<u>14,539</u>	<u>(7,374)</u>	<u>21,913</u>

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (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 2016 of Nomura Bank International plc (the "Bank" or the "Company") 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 European Union. 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 2016 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

The condensed financial statements have been prepared on a going concern basis. The condensed financial statements are presented in United States dollar ("USD"), and all values are rounded to the nearest thousand USD except where otherwise stated. The information presented in this interim report does not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ending 31 March 2016 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 Company does not have any subsidiaries and as such no consolidated financial statements are required to be prepared.

The presentation of the statement of comprehensive income has changed compared to prior years. The Bank's valuation adjustments for its own credit risk was previously reported in the 'Dealing loss' line but has now been reclassified into its own separate line '(Loss)/gain in relation to changes in own credit risk'. The prior period figures for the statement of comprehensive income have been reclassified to conform with current period presentation. The change was made to improve relevance of the statement of comprehensive income.

(b) Fair Values

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

(i) Valuation of fair value instruments

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

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

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

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(i) Valuation of fair value instruments (Continued)

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

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

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

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

(ii) Fair value option

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

- 1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument; or
- 2) Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring related financial instruments on different bases; or
- 3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these financial instruments is provided internally on a fair value basis to the Bank's key management personnel.

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

(c) Significant accounting judgments, estimates and assumptions

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

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting judgments, estimates and assumptions (Continued)

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. For the period condensed financial statements, the accounting policies, significant accounting judgements, estimates and assumptions are consistent with those applied by the Company in its 2016 annual report and accounts except for the adoption of new standards and interpretations as at 1 April 2016 noted in note (e) below.

(d) Segment reporting

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

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

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ending 31 March 2016, except for the adoption of new standards and interpretations as of 1 April 2015, noted below:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The Annual improvements 2012-2014 Cycle clarifies that assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. These amendments are effective from 1 April 2016. The amendments did not have an impact on the Company.

IFRS 7 Fair Value Measurement

The Annual improvements 2012-2014 Cycle clarifies that

- A servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments; and
- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively

These amendments are effective from 1 April 2016. The amendments did not have an impact on the Company.

There were no other new standards and interpretations which have a material impact on the Company.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

2. TAXATION ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	<u>Period ending</u> <u>30 September 2016</u> <u>Company</u> \$'000	<u>Period ending</u> <u>30 September 2015</u> <u>Company</u> \$'000
Current tax:		
UK Corporation tax at 20% (2015: 20%)	-	-
Adjustment in respect of previous periods	-	261
Foreign tax suffered	154	(22)
	<hr/> 154	<hr/> 239
Deferred taxation:		
Current year temporary differences	-	-
	<hr/> -	<hr/> -
Tax charge on profit/(loss) on ordinary activities	<hr/> 154	<hr/> 239

(b) RECONCILIATION OF CORPORATION TAX CREDIT/(CHARGE)

	<u>Period ending</u> <u>30 September 2016</u> <u>Company</u> \$'000	<u>Period ending</u> <u>30 September 2015</u> <u>Company</u> \$'000
Net (loss)/profit before tax	<hr/> (55,848)	<hr/> 113,538
UK Corporation tax (credit)/charge at 20% (2015: 20%)	(11,170)	22,708
Group relief for nil payment	-	(22,737)
Movement in Unrecognised deferred tax	11,190	68
Foreign tax relief	(20)	(39)
Foreign tax suffered	154	261
Adjustments in respect of previous years	-	(22)
	<hr/> 154	<hr/> 239
Income tax expense reported in the statement of comprehensive income	<hr/> 154	<hr/> 239

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities accessible by the Bank at the measurement date.
- Level 2** Quoted prices in inactive markets or prices containing other inputs which are observable, either directly or indirectly. Valuation techniques using observable inputs reflect assumptions used by market participants in pricing financial instruments and are based on data obtained from independent market sources at the measurement date.
- Level 3** Unobservable inputs that are significant to the fair value measurement of the financial instrument. Valuation techniques using unobservable inputs reflect management's assumptions about the estimates used by other market participants in valuing similar financial instruments. These valuation techniques are developed based on the best available information at the measurement date.

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

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

Fair value hierarchy

<u>30 September 2016:</u> <u>Company</u>	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Financial assets				
Financial assets held for trading:				
- Derivatives	-	358,604	174,440	533,044
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	627,918	-	627,918
- Other financial instruments	-	6,363	91,925	98,288
Available-for-sale financial investments	-	11	-	11
	-	992,896	266,365	1,259,261
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	819,259	386,776	1,206,035
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	4,756,095	-	4,756,095
- Borrowings	-	-	-	-
- Other financial instruments	-	3,088	-	3,088
	-	5,578,442	386,776	5,965,218

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

<u>31 March 2016:</u> <u>Company</u>	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Financial assets				
Financial assets held for trading:				
- Derivatives	-	361,465	182,790	544,255
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	733,595	-	733,595
- Other financial instruments	-	7,980	101,132	109,112
Available-for-sale financial investments	-	11	-	11
	-	1,103,051	283,922	1,386,973
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	1,124,093	410,305	1,534,398
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	6,219,804	-	6,219,804
- Borrowings	-	51,273	-	51,273
- Other financial instruments	-	4,479	-	4,479
	-	7,399,649	410,305	7,809,954

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

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

4. VALUATION PROCESSES

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

- The Product Control Valuations Group (“PCVG”) within Nomura’s Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument. While it is the responsibility of our businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these financial statements is made by senior managers independent of the businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer (“CFO”) of Nomura Group;
- The Accounting Policy Group (“APG”) within Nomura’s Finance Department defines the Group’s accounting policies and procedures, including those associated with determination of fair value. This group reports to the Global Head of Accounting Policy and ultimately to the CFO of Nomura Group; and
- The Global Model Validation Group (“MVG”) within Nomura’s Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. The group reports to the Global Head of Market and Quantitative Risk of Nomura Group.

Sensitivity of fair value to changes in unobservable inputs

Level 3 financial 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 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

4. VALUATION PROCESSES (CONTINUED)

Movements in Level 3 financial instruments

<u>30 September 2016</u> <u>Company</u>	At 1 April 2016	Total gains (losses) in P&L	Settlement	Net transfers in/(out) of level 3	At 30 September 2016	Unrealised Total gains (losses) in P&L
\$'000s						
Financial assets						
Financial assets held for trading:						
- Derivatives	182,790	53,953	(61,095)	(1,209)	174,440	45,393
Financial assets designated at fair value through profit and loss:						
- Other financial instruments	101,132	(9,207)	-	-	91,925	(9,207)
	<u>283,922</u>	<u>44,747</u>	<u>(61,095)</u>	<u>(1,209)</u>	<u>266,365</u>	<u>36,186</u>

<u>30 September 2016</u> <u>Company</u>	At 1 April 2016	Total gains (losses) in P&L	Settlement	Net transfers (in)/out of level 3	At 30 September 2016	Unrealised Total gains (losses) in P&L
\$'000s						
Financial liabilities						
Financial liabilities held for trading:						
- Derivatives	(410,305)	73,596	(50,515)	(437)	(386,776)	52,673
	<u>(410,305)</u>	<u>73,596</u>	<u>(50,515)</u>	<u>(437)</u>	<u>(386,776)</u>	<u>52,673</u>

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

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

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

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

4. 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 Company for Level 3 financial instruments as of 30 September 2016 and 31 March 2016.

30 September 2016

Company

Class of financial instrument	Fair value \$'000	Valuation techniques	Significant Unobservable inputs	Range
Financial Instruments held for trading				
-Derivative Assets	174,440	DCF/Option Models	Interest Rates	0.7% - 0.7%
			Credit Spread	6.0% - 6.0%
-Derivative Liabilities	(386,776)		Recovery Rate	25% - 25%
			Dividend Yield	0% - 3.5%
			Volatilities	4.7% - 58.4%
			Correlations	0.65 - 0.94

31 March 2016

Company

Class of financial instrument	Fair value \$'000	Valuation techniques	Significant Unobservable inputs	Range
Financial Instruments held for trading				
-Derivative Assets	182,790	DCF/Option Models	Credit Spread	5.9%- 45.9%
			Recovery Rate	5% - 40%
-Derivative Liabilities	(410,305)		Dividend Yield	0% - 10%
			Volatilities	5.9% - 126.8%
			Correlations	(0.70) - 0.98

5. 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 2016 the maximum exposure on these financial guarantee contracts amounted to \$546,693,726 (31 March 2016: \$370,492,811).

Commitments

The Bank had commitments as at 30 September 2016 amounting to \$2,521,296,491 (31 March 2016: \$1,208,696,648) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

6. FINANCIAL LIABILITIES

Bonds and medium term notes

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

	<u>Company</u> <u>September 2016</u> \$'000	<u>Company</u> <u>March 2016</u> \$'000
Bonds and Medium- Term Notes, by remaining maturity:		
- Less than 1 year	542,149	917,724
- Less than 5 years but greater than 1 year	1,534,032	1,555,664
- Greater than 5 years	2,679,914	3,746,416
Total	4,756,095	6,219,804

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.

\$,000	<u>Balance as at</u> <u>31 March 2016</u>	<u>Issuance</u>	<u>Redemption</u>	<u>Others</u>	<u>Balance as at 30</u> <u>September 2016</u>
Bonds and medium term notes	6,219,804	233,945	(1,836,651)	138,997	4,756,095
Total	6,219,804	233,945	(1,836,651)	138,997	4,756,095

\$,000	<u>Balance as at</u> <u>31 March 2015</u>	<u>Issuance</u>	<u>Redemption</u>	<u>Others</u>	<u>Balance as at 30</u> <u>September 2015</u>
Bonds and medium term notes	5,970,343	1,607,230	(772,165)	(96,137)	6,709,271
Total	5,970,343	1,607,230	(772,165)	(96,137)	6,709,271

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2016 (UNAUDITED)

NOTES TO INTERIM REPORT (CONTINUED)

7. RELATED PARTY TRANSACTIONS

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

a. Transactions with NIP

- i. The Bank has secured financing and collateralised lending receivables owing from NIP in the amount of \$6,942,200,080 as at 30 September 2016 (31 March 2016: \$8,436,496,653). Prepayments including interest receivables owing from NIP amounted to \$1,763,038 as at 30 September 2016 (31 March 2016: \$1,327,659).
- ii. The Bank enters into derivative agreements with NIP to hedge the market risk on medium term notes issued. The fair value of the derivatives assets with NIP is \$532,291,265 as at 30 September 2016 (31 March 2016: \$540,060,118) and the fair value of derivative liabilities with NIP is \$703,491,923 (31 March 2016: \$1,391,133,052). The Bank receives a combination of cash and securities collateral from NIP with respect to its net derivative exposure with NIP.
- iii. The Bank has other receivables due from NIP of \$10,237,245 (31 March 2016: \$12,091,300) and other payables due to NIP of \$112,549,634 (31 March 2016: \$103,122,799).
- iv. The Bank advanced a loan to NIP to the amount of \$1,000,350,278 (31 March 2016 \$900,370,008).
- v. Interest income includes Interest on Reverse repo with NIP \$14,670,011 (31 March 2016 \$31,470,328).
- vi. Interest expense includes Interest on Loan and Collateral with NIP \$ 1,407,959 (31 March 2016 \$4,074,435).
- vii. Fee income includes arrangement fees received from NIP \$32,097,147 (31 March 2016 \$84,719,960).
- viii. Fee expense includes commitment fee expense with NIP \$ 1,589,084 (31 March 2016 \$2,545,902).
- ix. Administration expense include SLA & Technology charges paid to NIP \$4,447,427 (31 March 2016 \$8,894,855).
- x. The Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP.
- xi. The Bank's obligation to pay the UK Bank Levy in both the current year and prior year has been settled by NIP, who is responsible for reporting and paying the bank levy on behalf of the Nomura UK tax group.

b. Transactions with other Nomura group companies

- i. The Bank has overdrafts and borrowings due to other Nomura group companies of \$13,634,279 as at 30 September 2016 (31 March 2016: \$17,529,697) and loans and advances due from other Nomura group companies of \$22,634,455 as at 30 September 2016 (31 March 2016: \$33,700,000).

There were no impairment losses on any of the above disclosed related party receivables in the periods ending 30 September 2016 and 2015.