NOMURA BANK INTERNATIONAL PLC

ANNUAL REPORT
31 March 2015

COMPANY REGISTRATION NUMBER 1981122

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

The Directors of Nomura Bank International plc (the "Bank") present their Strategic Report, Directors' Report, and the consolidated financial statements for Bank and its consolidated subsidiaries (the "Group") for the year ended 31 March 2015. The Bank is incorporated in England and Wales and its registered office is at 1 Angel Lane, London, EC4R 3AB.

STRATEGIC REPORT

REVIEW OF THE BANK'S BUSINESS, DESCRIPTION OF PRINCIPAL RISKS AND INFORMATION REGARDING BRANCHES

Review of the Business

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). 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;
- provision of traditional banking products such as loans and credit facilities in major currencies, repurchase and reverse repurchase transactions, letters of credit and guarantees; and
- taking deposits (including foreign exchange and other reference linked deposits).

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

The Bank continues to lend predominantly on a secured basis through the use of reverse repurchase transactions ('Securities purchased under agreements to resell'). As at 31 March 2015, 99% of funds were advanced on a secured basis.

The Group's key financial indicators during the year were as follows:

	Year ended 31 March 2015 $'000	Year ended 31 March 2014 $'000
Operating income/(loss)	2,326	(60,632)
Loss on ordinary activities before taxation	(44,688)	(106,967)
Loss for the year	(45,761)	(108,000)
Total assets	9,852,820	10,725,696
Total liabilities	9,421,866	10,248,641
Shareholders' funds	430,954	477,055

The Group reported a loss on ordinary activities before tax for the year of $44,688,203 (2014: loss of $106,966,673). As part of the Nomura Group's ongoing reviews of its legal entity strategy, during the year the Bank's investment in its Chinese subsidiary was reviewed for impairment with the result that the Bank reported an impairment loss of $33,076,000. Furthermore, the investment has been classified as held for sale.

Nomura Group own credit spreads continued tightening, which has further adversely impacted the Bank's result this year. However the impact of the own credit loss was lower than prior year resulting in reduced losses. The impact of own credit included within the loss on ordinary activities before tax was a loss of $23,172,433 (2014: loss of $88,518,970).

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 has branches in Milan, Italy and Labuan, Malaysia, as well as a subsidiary and representative office in China and a liaison office Turkey.

For the year ending 31 March 2016, the Bank will continue to focus on its activities supporting the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group.

Description of Principal Risks

The Bank's activities involve the assumption and transfer of certain risks, including market risk, credit risk, operational risk, liquidity risk and funding, model risk and business risk. Further information on these risks and the Bank's risk management is provided in note 17 to the financial statements.

The Bank's market, credit, liquidity and operational risk are managed through its Executive Management and Risk Committee ("EMRC"), which is chaired by the Chief Operating Officer of the Bank. The EMRC members also include the Bank's Chief Executive Officer, the Bank's Chief Legal Officier (also Deputy Chairman of EMRC), the Head of Credit Risk for the Europe, Middle East and Africa region ("EMEA"), the Head of Market Risk for EMEA, the Head of Operational Risk Management for EMEA, the EMEA Treasurer, and representatives from New Business, Finance, Operational Risk, and Global Markets.

In addition, issues relating to conflicts as well as the Bank's legal risks, reputational risks and cross border booking risks are delegated to, and managed by the appropriate committees of Nomura Europe Holdings plc ("NEHS"), the Bank's immediate parent. In particular, the NEHS Prudential Risk Committee is responsible for providing oversight of and guidance to the Directors on the risk profile, risk appetite, future strategy and maintenance of an appropriate risk control framework for the Bank,a s well as the wider NEHS Group (being NEHS, its subsidiaries and European entities). Further information on the Bank's risk management is provided in note 17 to the financial statements.

EMPLOYEE MATTERS

The Bank outsources some of its support services under service level agreements to departments of NIP, an affiliated company. The Bank employs its own staff for certain administrative activities.

The Bank is committed to the principle of equal employment opportunity for all employees and to providing employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identity, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and sexual orientation. Our recruitment, development and promotion procedures are based on the requirements of a particular position.

The Nomura Group has an established policy of communicating with all its employees regularly, including UK employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all UK employees as well as communication and updates on the employee training programmes that are available. All UK employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. The Nomura Group is not listed in the UK and therefore does not operate an employee share scheme. However employee involvement in the performance of the Bank is encouraged, in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance as well as their division as a whole and the overall Bank and Nomura Group performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the financial performance is discussed.

ENVIRONMENT

The Bank is committed to acting in an environmentally responsible manner and therefore approaches environmental issues positively.

The Bank:

- encourages investment and constructive engagement in environmentally friendly goods and services;
- assesses environmental risks and continually strive to minimise pollution and improve the environment;
- complies with relevant environmental laws and regulations and engage with external stakeholders on environmental issues;
- is committed to reducing waste and conserving energy and natural resources to minimize the impact of our footprint on the environment; and
- communicates this policy to all employees to raise awareness of environmental issues and encourage environmentally friendly initiatives.

The Nomura Group makes this policy available for public viewing at:

http://www.nomuraholdings.com/csr/citizenship/environment/management

BY ORDER OF THE BOARD AT A MEETING HELD ON 16 JULY 2015

Andrew Eames
Company Secretary

Company Registration Number: 1981122

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2015

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results for the year are set out on page 10. The loss transferred to reserves for the year amounted to $46,101,984 (2014: loss of $107,920,000).

No interim dividend was paid (2014: $nil) and the Directors do not recommend the payment of a final dividend (2014: $nil).

EVENTS SINCE THE BALANE SHEET DATE

There are no events to report

DONATIONS

No political donations were made during the year (2014: $nil).

FINANCIAL INSTRUMENTS

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

The Bank also offers traditional banking products to facilitate customer business such as credit facilities, guarantees and letters of credit. In addition to debt issuances noted above, the Bank obtains financing from capital, bank and intercompany borrowings.

Further analysis on financial instruments are disclosed in Notes 1,9,17 and 18.

MATTERS DEALT WITH IN THE STRATEGIC REPORT

An indication of the likely future developments of the Bank, information pertaining to branches of the Bank outside of the United Kingdom and employee matters have been discussed on the Bank's strategic report.

DIRECTORS

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

Paul Spanswick*	Director
John Baker	Director (appointed on 24 June 2015)
Clare Jones	Director (appointed on 17 December 2014)
Devesh Mehta	Director (appointed on 28 January 2015)
Kieran Poynter*	Non-Executive Director (resigned on 12 June 2015)
Masafumi Nakada	Director (resigned on 15 May 2014)

* Member of the Audit Committee of the Board

DIRECTORS’ INDEMNITIES

As at the date of this report and during the relevant financial year, indemnities are and were in force under which the Bank has agreed to indemnify certain Directors of the Bank, Directors of certain associated Companies to the extent permitted by law and in accordance with the Bank's articles of association, in respect of certain losses and liabilities arising out of, in connection with, the execution of their powers, duties and responsibilities, as Directors of the Bank. In addition, NHI effected a global Directors and Officers liability insurance programme for the benefit of the Nomura Group.

GOING CONCERN

The Bank’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 17 of the statutory financial statements for the year to 31 March 2015 describes 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 but not own credit risk, the Directors consider the Bank’s capital position to be strong. 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.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors’ Report are listed on page 5. Having made enquiries of fellow Directors and of the Bank’s Auditors, each of these Directors confirms that:

- to the best of each Director’s knowledge and belief, there is no information relevant to the preparation of their report of which the Bank’s Auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Bank’s Auditors are aware of the information.

AUDITORS

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution re-appointing them as Auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report, the Strategic Report, and the consolidated financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law, the Directors are required to prepare consolidated financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8 "Accounting policies, Changes in accounting Estimates and Errors" and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report and the Strategic Report in accordance with the Companies Act 2006 and applicable regulations.

BY ORDER OF THE BOARD AT A MEETING HELD ON 16 JULY 2015

Andrew Eames
Company Secretary

Company Registration Number: 1981122

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC

We have audited the financial statements of Nomura Bank International plc (together with its subsidiary undertakings the "Group") for the year ended 31 March 2015 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC (CONTINUED)

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared under Schedule 2 of Companies Act and the consolidated financial statements have been prepared under Paragraph 9 and Part 1 of Schedule 6 (as modified by Part 2) of the Regulations relating to banking groups.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Maurice McCormick (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

Note		Group Year ended 31 March 2015 $'000	Group Year ended 31 March 2014 $'000
	INCOME		
2	Interest income and similar income	51,573	35,180
2	Interest expense and similar charges	(14,706)	(13,191)
	NET INTEREST INCOME	36,867	21,989
	Fee and commission income	108,178	132,055
	Fee and commission expense	(4,100)	(4,444)
3	Dealing loss	(138,619)	(210,232)
	TOTAL OPERATING INCOME / (LOSS)	2,326	(60,632)
4	Administrative expenses	(13,938)	(17,695)
	Impairment of goodwill and intangible assets	(33,076)	(28,640)
	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(44,688)	(106,967)
6	Tax charge on profit on ordinary activities	(1,073)	(1,033)
	LOSS FOR THE YEAR	(45,761)	(108,000)
	Foreign currency (loss)/gain	(340)	80
	TOTAL COMPREHENSIVE INCOME	(46,101)	(107,920)

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

Included within the dealing loss for the year is a loss of $23,172,433 in relation to changes in own credit risk (2014: loss of $88,518,970). These gains and losses arise on financial instruments designated at fair value through profit and loss.

The notes on pages 17 to 62 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Called-up share capital $'000	Retained earnings $'000	Other Reserve $'000	Total shareholders' equity $'000
As at 1 April 2014	555,000	(78,048)	103	477,055
Loss for the year	-	(45,761)	-	(45,761)
Foreign currency loss	-	-	(340)	(340)
Total comprehensive income	-	(45,761)	(340)	(46,101)
As at 31 March 2015	555,000	(123,809)	(237)	430,954

	Called-up share capital $'000	Retained earnings $'000	Other Reserve $'000	Total shareholders' equity $'000
As at 1 April 2013	555,000	29,952	23	584,975
Loss for the year	-	(108,000)	-	(108,000)
Foreign currency gains	-	-	80	80
Total comprehensive income	-	(108,000)	80	(107,920)
As at 31 March 2014	555,000	(78,048)	103	477,055

Foreign exchange gains and losses resulting from the retranslation will be recognised into the consolidated statement of comprehensive income on the disposal of the foreign entity.

Foreign currency gains are due to the Bank's branch in Italy.

The notes on pages 17 to 62 form part of these financial statements.

No Bank's Statement of Changes in Equity for the years ended 31 March 2015 or 2014 has been prepared as there are no material differences to the above Consolidated Statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015

		Group		Company	
	Note	March 2015 $'000	March 2014 $'000	March 2015 $'000	March 2014 $'000
Assets					
Loans and advances to banks		21,913	14,599	21,913	14,295
Derivative financial instruments	9	712,027	778,857	712,027	778,857
Equity securities held for trading		-	565	-	565
Loans and advances to affiliates		30,348	31,152	30,348	31,152
Securities purchased under agreements to resell		8,065,508	8,817,075	8,065,508	8,817,075
Loans and advances to others		93,940	156,500	93,940	139,200
Prepayments and accrued income		2,045	12,951	2,045	12,857
Other assets		24,518	70,473	24,518	70,350
Financial assets designated at fair value through profit and loss	8				
- Secured lending		772,535	585,784	772,535	585,784
- Other financial instruments		109,972	224,195	109,972	224,195
Available-for-sale financial investments		11	14	11	14
Goodwill and intangible assets	11	-	33,483	-	-
Fixed assets		28	48	28	34
Investments in group undertakings		-	-	20,410	51,360
Assets classified as held for sale	15	19,975	-	-	-
Total assets		9,852,820	10,725,696	9,853,255	10,725,738
Liabilities					
Customer accounts		177	223	177	223
Derivative financial instruments	9	1,355,025	1,127,239	1,355,025	1,127,239
Accruals and deferred income		44,363	121,066	44,363	120,969
Borrowing from affiliates		667,446	317,647	667,446	317,647
Borrowing from others		179,019	19,294	179,019	19,294
Securities sold under agreements to repurchase	10	1,128,005	1,678,523	1,128,005	1,678,523
Financial liabilities designated at fair value through profit and loss	12				
- Bonds and medium-term notes		5,970,343	6,973,525	5,970,343	6,973,525
- Borrowings		49,947	-	49,947	-
- Other financial instruments		3,245	6,086	3,245	6,086
Other liabilities	13	24,071	5,038	24,110	5,099
Liabilities directly associated with assets classified as held for sale		225	-	-	-
Total liabilities		9,421,866	10,248,641	9,421,680	10,248,605
Shareholders' funds					
Called up share capital	16	555,000	555,000	555,000	555,000
Retained earnings		(123,809)	(78,048)	(123,188)	(77,970)
Other reserve		(237)	103	(237)	103
Total equity		430,954	477,055	431,575	477,133
Total liabilities and equity		9,852,820	10,725,696	9,853,255	10,725,738

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2015 (CONTINUED)

Approved by the Board of Directors on 16 July 2015 and subsequently signed on its behalf on 17 July 2015 by:

Devesh Mehta, Director

The notes on pages 17 to 62 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Group 2015 $'000	Group 2014 $'000
Operating activities		
Loss before tax	(44,688)	(106,967)
Non-cash adjustments to reconcile profit for the period to net cash flows		
Impairment of goodwill and other intangibles	33,076	28,640
Amortisation other intangibles	407	77
Depreciation on fixed assets	20	21
Foreign Exchange Revaluation	(340)	80
Change in operating assets and liabilities		
Net change in loans and advances to affiliates	804	172,766
Net change in loans and advances to others	62,560	(8,181)
Net change in borrowing from banks and other customers	159,725	8,986
Net change in borrowings from affiliates	349,799	(365,600)
Net change in financial assets designated at fair value through profit and loss	(72,528)	445,257
Net change in financial liabilities designated at fair value through profit and loss	(198,535)	264,974
Net change in available-for-sale assets	3	(1)
Net change in Equity securities held for trading	565	(565)
Net change in derivative assets	66,830	349,968
Net change in derivative liabilities	227,786	(104,083)
Net change in securities purchased under agreements to resell	751,567	(567,661)
Net change in securities sold under agreements to repurchase	(550,518)	487,873
Net change in other assets	45,955	7,603
Net change in other liabilities	66,498	(8,624)
Net change in prepayments and accrued income	10,906	(1,057)
Net change in accruals and deferred income	(76,703)	10,275
Net change in asets classified as held for sale	(19,975)	-
Net change in liabilities classified as held for sale	225	-
Income tax paid	(1,477)	(39,257)
Net cash flow generated by operating activities	811,962	574,524
Investing activities		
Net cash used in investing activities	-	-

The notes on pages 17 to 62 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

	Group 2015 $'000	Group 2014 $'000
Financing activities		
Proceeds of borrowings and issuance of debt	1,877,165	2,062,327
Repayments of borrowings and redemption of debt	(2,681,812)	(2,707,093)
Net cash flow used in financing activities	(804,647)	(644,766)
Net increase in cash and cash equivalents	7,314	(70,242)
Cash and cash equivalents at 1 April	14,599	84,841
Cash and cash equivalents at 31 March	21,913	14,599
Included within operational cash flows		
Interest paid	(84,270)	889
Interest received	62,476	33,407

The notes on pages 17 to 62 form part of these financial statements.

No Company Statement of Cash Flows for the years ended 31 March 2015 or 2014 has been prepared as there are no material differences to the above Consolidated Statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)

ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE STATEMENT OF FINANCIAL POSITION:

31 March 2015

	31 March 2015 $'000	Cash Flow $'000	31 March 2014 $'000
Loans and advances to other banks repayable on demand	21,913	7,314	14,599
Borrowing from other banks repayable on demand	-	-	-
Net cash balance	21,913	7,314	14,599

31 March 2014

	31 March 2014 $'000	Cash Flow $'000	31 March 2013 $'000
Loans and advances to other banks repayable on demand	14,599	(70,242)	84,841
Borrowing from other banks repayable on demand	-	-	-
Net cash balance	14,599	(70,242)	84,841

The notes on pages 17 to 62 form part of these financial statements.

Within the Loans and advances to other banks of $21,913,230 is a Cash Ratio Deposit with the Bank of England of £nil (2014: £548,038, USD equivalent $913,963).

1. ACCOUNTING POLICIES

a) Basis of Accounting

The consolidated financial statements of Nomura Bank International plc (the "Bank") have been prepared in accordance with International Financial Reporting Standards ("IFRS") including all International Accounting Standards ("IAS"), Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union.

The consolidated 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 consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements are presented in United States dollar ("USD"), and all values are rounded to the nearest thousand USD except where otherwise stated. The Bank and Group accounts are prepared under Schedule 2 of Companies Act and the consolidated financial statements have been prepared under Paragraph 9 and Part 1 of Schedule 6 (as modified by Part 2) of the Regulations relating to banking groups.

The notes to the financial statements state when the Group and Company amounts are the same. Where, for a given note, the Group amount differs to the Company only amount, no Company only note is disclosed where there are no material differences to the Consolidated Statements.

Where appropriate, prior year figures have been restated to conform with current year presentation.

b) New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and interpretations as of 1 April 2014, noted below:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since the Group does not offset any of its positions. These amendments will not impact the Group's financial position as the Group does not perform any balance sheet netting. The Group adopted these amendments from 1 April 2014.

IFRS 13 Fair Value Measurement
The Annual improvements 2010-2012 Cycle clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group. The Group adopted these amendments from 1 April 2014,

1. ACCOUNTING POLICIES (Continued)

c) Significant accounting judgments, estimates and assumptions

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

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

- Where there is no active market for a financial instrument, fair value is determined using valuation techniques which could require judgement.
- The recovery of the carrying value of goodwill; and
- Recoverability of deferred tax assets.

Additionally, the consolidation of special purpose entities requires significant judgement. A determination is required of whether the voting rights or other contractual agreements are the dominant factor in deciding who controls a special purpose entity. Judgement is required of when the Group has power over a special purpose entity and when it has the ability to use its power over the special purpose entity to affect the amount of the Group's returns.

c) Foreign Currencies

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

The foreign currency transactions of each group entity are translated into the functional currency of that entity using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are retranslated at rates of exchange ruling on the reporting date. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the statement of comprehensive income. The rate of exchange between the USD and Sterling at the reporting date was 1.4849 (2014: 1.6677).

d) Operating Income

(i) Interest receivable

Interest income is recognised in the consolidated statement of comprehensive income for all interest bearing financial assets classified as other loans and advances using the effective interest method.

1. ACCOUNTING POLICIES (Continued)

e) Operating Income (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

(ii) Interest payable

Interest expense is recognised in the consolidated statement of comprehensive income for all interest bearing financial liabilities using the effective interest method, except for liabilities held at fair value through profit and loss.

(iii) Dealing profits and losses

Income arising from gains and losses on financial instruments designated as fair value through profit and loss is included in dealing losses. Interest on these positions is included, as it is integral to the dealing profit and distinct from interest on banking activities.

Dealing profits arise across a range of instruments, and are managed accordingly. They are presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset in the statement of financial position in accordance with the presentation requirements of International Accounting Standard 39 "Financial instruments: Recognition and Measurement" ("IAS 39").

(iv) Additional interest charges

When a financial asset is measured using the effective interest rate basis then net origination fee income is recognised over the life of the advance as part of Interest Income. Fees arising from the facilitation and servicing of note issuances are recognised in the consolidated statement of comprehensive income as the service is provided

(v) Fee income and expense

Fee income relating to loans and advances that are not measured at fair value through profit and loss is recognised in the statement of comprehensive income to match the cost of providing a continuing service, except where the fee amounts in substance to an additional interest charge, when it is recognised on an effective interest rate basis over the life of the advance as part of Interest Income. Fees arising from the facilitation and servicing of note issuances are recognised in the consolidated statement of comprehensive income as the service is provided.

1. ACCOUNTING POLICIES (CONTINUED)

f) Financial Assets and Liabilities

The Group classifies its financial instruments in the following categories: financial instruments at fair value through profit and loss, loans and receivables, available-for-sale financial assets and other financial liabilities. Management determines the classification of financial assets and liabilities on initial recognition depending upon the purpose for which the financial instruments were acquired and their characteristics. Where permitted and appropriate, management re-evaluates this designation at each financial year end. The recognition and derecognition policies of financial assets and liabilities are set out below.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides loans and advances directly with no intention of trading the receivable. Loans are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment or when all significant benefits and risks have been transferred to a third party.

Such assets are carried at amortised cost, using the effective interest method if the time value of money is significant. Gains and losses are recognised in the statement of comprehensive income, when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are recorded within the following statement of financial position classifications: Loans and advances to banks, Loans and advances to affiliates, other loans and advances and other assets.

(ii) Financial instruments designated at fair value through profit and loss

Management designates certain non-derivative financial instruments and certain non-trading liabilities as fair value through profit and loss where doing so results in more relevant information. Instruments so designated are hybrid products whose risks are hedged using a mixture of derivative or non-derivative products.

These instruments are recognised initially at fair value and transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included in the statement of comprehensive income.

Financial assets are recognised and derecognised on settlement date for regular way transactions.

(iii) Available-for-sale investments

Available–for-sale investments are non-derivative financial assets that are designated as available-for-sale and are not in any of the other categories described above. They are recognised and derecognised using settlement date accounting. Amounts are initially recognised at fair value including any direct and incremental transaction costs and subsequently held at fair value.

1. ACCOUNTING POLICIES (CONTINUED)

f) Financial Assets and Liabilities (Continued)

Where applicable interest determined using the effective interest method and impairment losses are recognised in the statement of comprehensive income. Gains and losses arising from changes in fair value are taken to the other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss is transferred to the statement of comprehensive income. Any reversal of impairment losses on non-equity available-for-sale investments is taken to the statement of comprehensive income.

(iv) Other liabilities

Financial liabilities are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment. Such liabilities are measured at amortised cost using the effective interest method.

g) Sale and repurchase agreements

The Bank enters into agreements to sell certain debt securities to counterparties and then repurchase them at a later date ("repo"), called "securities sold under agreements to repurchase" on the statement of financial position. These debt securities where they are originally recognised as long positions are retained on the statement of financial position, and the purchase price received by the Bank shown as a liability to the purchaser.

The Bank also enters into agreements to buy certain debt securities with counterparties and then sell them at a later date ("reverse repurchase transaction"), called "securities purchased under agreements to resell" on the statement of financial position. These debt securities are excluded from the Bank's inventory and the purchase price paid for the securities is shown as an amount receivable from the vendor.

These are carried at amortised cost and difference between sale and repurchase price is accrued over the life of the agreements using the effective interest rate method.

h) Derivatives

All derivatives are recognised initially at fair value and subsequently carried in the consolidated statement of financial position at fair value. Derivatives are recorded as assets when their fair value on the reporting date is positive and as liabilities when their fair value is negative.

The Bank uses derivatives to economically hedge interest rate, equity, credit and exchange rate exposures related to non-trading positions. All derivatives held for trading are currently used for hedging purposes. The Bank currently has no derivatives for which hedge accounting is applied. Any realised and unrealised gains and losses are recognised in the statement of comprehensive income.

Some hybrid contracts contain both a derivative and a non-derivative component. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, we designate the entire contract at fair value through profit and loss as outlined in 1(e) (ii).

1. ACCOUNTING POLICIES (CONTINUED)

i) 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 amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

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. 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.

1. ACCOUNTING POLICIES (CONTINUED)

i) Fair Values (Continued)

(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.

j) Derecognition

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Bank derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Bank retains the financial assets on its consolidated statement of financial position with an associated liability for consideration received. If the Bank neither transfers nor retains significantly all the risks and rewards of the transferred asset, but retains control over the asset, it recognises the transferred asset and an associated liability measured on a basis that reflects the rights and obligations retained by the Bank.

k) Impairment

The Bank assesses at the reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the asset's original effective interest rate. The amount of the loss is included in the statement of comprehensive income. If in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of comprehensive income.

1. ACCOUNTING POLICIES (CONTINUED)

k) Impairment (Continued)

For debt securities classified as available-for-sale, the amount of impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss in that investment previously recognised in the consolidated statement of comprehensive income.

The calculation of the present value of the expected future cash flows of a collateralised financial asset reflects the cash flows that may result from obtaining and selling the underlying collateral.

l) Collateral and offsetting

The Bank enters into agreements with counterparties whenever possible and, when appropriate, obtains collateral.

The Bank holds collateral in respect of credit-related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship.

The collateral can take the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. In addition, the Bank receives cash or securities collateral from Nomura group companies in respect of derivative exposure.

Amounts due to / owed by counterparties are only netted if there is a legal right to offset and management intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. At present, no transactions meet these criteria and no amounts due to / owed by counterparties have been netted.

m) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted on or before the reporting date.

Deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts in the statement of financial position and the tax base. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to be reversed based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

n) Financial guarantees

The Bank issues financial guarantee contracts which require the Bank to reimburse holders of such guarantees for any losses suffered due to a failure by specified debtors to make payments when due as specified by the terms of an underlying debt instrument. Such financial guarantees are initially recognized at fair value. The amount initially recognized

1. ACCOUNTING POLICIES (CONTINUED)

n) Financial guarantees (Continued)

includes an adjustment for transaction costs which are directly attributable to the issuance of the guarantee. On a subsequent measurement basis, the value of the financial guarantee is adjusted to reflect the best estimate of the amount required to settle the probable obligation at the reporting date, if higher than the amount initially recognised. Any amount recognized is net of cumulative amortization previously recognized.

o) Retirement Benefits

The Bank is a member of a defined benefit scheme comprising certain UK Nomura companies administered by NIP. The defined benefit plan administered by NIP is a plan that shares risks between entities under common control and is run on a basis that does not allow the individual companies participating within the scheme to identify their shares of the underlying assets and liabilities. As a result, the Bank is not required to apply defined benefit accounting and therefore has applied defined contribution accounting to the scheme in accordance with IAS 19 "Employee Benefits". There is no contractual agreement or stated policy for charging the net defined benefit cost to the Bank.

p) Provisions for liabilities and charges and contingent liabilities

A provision is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". A contingent liability is a possible obligation whose existence will only be confirmed in the future or it is a present obligation (legal or constructive) and either it is not probable that a transfer of economic benefits will be required to settle the obligation or a reliable estimate cannot be made of the amount of the obligation. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine if a provision should be recognised.

q) Cash flow statement

The Bank uses the indirect method to produce a cash flow statement in accordance with IAS 7 "Statement of Cash flows".

r) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the consolidated statement of financial position.

s) Investments in Group Undertakings

The Bank's investments in subsidiary undertakings, which are outside the scope of IAS 39, are stated at original cost less amounts written off where there has been impairment.

1. ACCOUNTING POLICIES (CONTINUED)

t) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary undertaking. Subsidiaries are fully consolidated from the date on which control is transferred to the parent company and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same accounting period as the parent company, using consistent accounting policies. All intra-group balances, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect it's returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The Group does not consolidate any structured entities nor does it have any variable interests in unconsolidated structured entities.

u) Intangible assets

The Bank's intangible assets include the value of a restricted bank licence acquired in a business combination. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of

1. ACCOUNTING POLICIES (CONTINUED)

u) Intangible assets (Continued)

consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the administrative expenses category.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives. The restricted bank licence has a useful life of 35 years and a remaining amortization period of 31 years and 11 months at 31 March 2015. The banking license forms part of the disposal group that has been classified as held for sale so that it is not currently being amortized.

v) Impairment of non–financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

w) 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 loss before taxation reported in these financial statements has arisen from this segment.

1. ACCOUNTING POLICIES (CONTINUED)

x) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Held-for-sale assets are generally measured at the lower of their carrying amount and fair value less cost to sell, except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Whilst a non-current asset is classified as held for sale or forms part of a disposal group that is classified as held for sale then it will not be depreciated or amortised.

The Group does not have any operations classified as discontinued operations as at 31 March 2015

y) Standards issued but not yet effective

IFRS 9 "Financial Instruments: Classification and Measurement"
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. Additionally, financial liabilities that are designated at fair value through statement of comprehensive income will have their changes in own credit risk recognised directly into other comprehensive income.

The standard is effective for annual periods beginning on or after January 1, 2018. The Group will adopt the new requirements from April 1, 2018.

IFRS 8 Operating Segments
The Annual improvements 2010-2012 Cycle clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments are applied retrospectively. These amendments will not impact the Group's financial position or performance. The Group is currently assessing the impact of these amendments. This improvement is effective for annual periods beginning on or after 1 July 2014. The Group will adopt the new requirements from April 1, 2015.

1. ACCOUNTING POLICIES (CONTINUED)

y) Standards issued but not yet effective (Continued)

IFRS 13 Fair Value Measurement
The Annual improvements 2011-2013 Cycle clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The amendment is applied prospectively. The Group is currently assessing the impact of these amendments. This improvement is effective for annual periods beginning on or after 1 July 2014. The Group will adopt the new requirements from April 1, 2015.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group will adopt the new requirements from April 1, 2017. The Group is currently assessing the impact of IFRS 15.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) may be disposed of either through sale or through distribution to owners. The Annual improvements 2012-2014 Cycle clarifies that under IFRS 5 changing from one of these disposal methods to the other should not be considered to be 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. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively. The Group is currently assessing the impact of these amendments. This improvement is effective for annual periods beginning on or after January 1, 2016. The Bank will adopt the new requirements from April 1, 2016.

IFRS 7 Financial Instruments Transfers Disclosures - Servicing contracts
IFRS 7 requires the Group to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Annual improvements 2012-2014 Cycle clarifies that servicing contracts can constitute continuing involvements for the purposes of applying these disclosure requirements where the Group retains any of the contractual rights or obligations or obtains any new contractual rights or obligations inherent in the transferred financial asset. The amendment must be applied retrospectively. The impact of adopting these amendments is not expected to be material. This improvement is effective for annual periods beginning on or after January 1, 2016. The Group will adopt the new requirements from April 1, 2016

IFRS 7 Financial Instruments Offsetting Disclosures – Interim Financial Statements
IFRS 7 requires certain disclosures around the offsetting of financial assets and financial liabilities. The Annual improvements 2012-2014 Cycle clarifies that that these IFRS 7

1. ACCOUNTING POLICIES (CONTINUED)

y) Standards issued but not yet effective (Continued)

disclosures are not required in the condensed interim financial report. However, IAS 34 requires the Group to disclose an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'. Therefore, if the IFRS 7 offsetting disclosures provide a significant update to the information reported in the most recent annual report then the disclosures must be included in the Group's condensed interim financial report. The amendment must be applied retrospectively. The impact of adopting these amendments is not expected to be material. This improvement is effective for annual periods beginning on or after January 1, 2016. The Group will adopt the new requirements from April 1, 2016.

IAS 34 Interim Financial Reporting

The Annual improvements 2012-2014 Cycle clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference to wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment should be applied retrospectively. The impact of adopting these amendments is not expected to be material. This improvement is effective for annual periods beginning on or after January 1, 2016. The Group will adopt the new requirements from April 1, 2016

z) Retained Profit for the year

In accordance with S.408 Companies Act 2006, the Bank has taken advantage of the dispensation not to produce its own statement of comprehensive income. Of the profit transferred to reserves, a loss $45,557,653 of (2014: $107,952,091) has been dealt with in the accounts of the Bank.

2. INTEREST INCOME AND EXPENSE

	Year ended 31 March 2015 Group $'000	Year ended 31 March 2014 Group $'000
Interest Income		
Interest on deposits	4,720	230
Interest on reverse repurchase transactions	46,726	34,231
Other interest income	127	719
	51,573	35,180
Interest Expense		
Interest to banks and customers	40	355
Interest on funds borrowed	977	827
Interest on repo transactions	11,648	9,689
Other interest expense	2,041	2,320
	14,706	13,191

Of the total interest income, amounts with respect to Nomura Group companies amounted to $41,132,897 (2014: $33,733,795). Of the total interest expenses, amounts with respect to Nomura Group companies amounted to $7,490,313 (2014: $6,610,865).

3. DEALING LOSS

	Year ended 31 March 2015 Group and Company $'000	Year ended 31 March 2014 Group and Company $'000
Financial instruments held for trading	284,139	81,296
Financial instruments designated at fair value through profit and loss account	(422,758)	(291,528)
	(138,619)	(210,232)

The impact of changes in own credit risk included in dealing loss on financial instruments designated at fair value through profit and loss was a loss of $23,172,433 (2014: loss of $88,518,970).

Substantially all of the Bank's gross and 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.

4. ADMINISTRATIVE EXPENSES

	Year ended 31 March 2015 Group $'000	Year ended 31 March 2014 Group $'000
Wages, salaries and other social security costs	1,710	4,897
Audit of the financial statements	399	386
Audit related assurance services	188	177
Support service charges	11,589	12,134
Depreciation and amortisation	52	101
	13,938	17,695

The Bank utilises the services of a number of Executive and Non-Executive Directors. The Bank employs its own staff for certain administrative activities (the number of direct employees at the end of the current financial year totalled 15 (2014: 16). In addition, the Bank uses the resources of NIP under a Service Level Agreement, for which a charge is paid.

In addition to the audit fees shown above, an amount of $289,091 (2014: $292,634) was borne by NHI.

5. DIRECTORS' EMOLUMENTS

The aggregate emoluments paid to the Directors were $325,355 (2014: $777,204).

The highest paid Director received emoluments of $165,749 (2014: $472,051). As at 31 March 2015 the accrued pension totalled $9,415 per annum (2014: $6,822) and no contributions were made to the Group Personal Pension plan.

The number of Directors who exercised share options during the year was 2 (2014: 2).

The number of Directors entitled to receive shares under a long-term incentive plan during the year was nil (2014: nil).

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	Year ended 31 March 2015 Group **$'000**	Year ended 31 March 2014 Group **$'000**
Current tax:		
UK Corporation tax charge at 21% (2014: 23%)	-	-
Foreign tax suffered	1,073	1,136
Adjustment in respect of previous periods	-	(78)
	1,073	1,058
Deferred taxation:		
Current year temporary differences	-	-
Adjustment in respect of previous periods	-	(25)
Tax charge on loss on ordinary activities	1,073	1,033

(b) RECONCILIATION OF CORPORATION TAX CHARGE

	Year ended 31 March 2015 Group **$'000**	Year ended 31 March 2014 Group **$'000**
Loss on ordinary activities before tax	(44,688)	(106,967)
UK Corporation tax charge at 21% (2014: 23%)	(9,385)	(24,602)
Expenses not deductible for tax purposes	6,510	6,678
Income not taxable for tax purposes	(78)	-
Unutilised tax losses	2,878	17,954
Non-recognition of short-term temporary differences	168	152
Foreign tax relief	(93)	(182)
Foreign tax suffered	1,073	1,136
Adjustments in respect of previous years	-	(103)
Income tax expense reported in the statement of comprehensive income	1,073	1,033

7. RETIREMENT BENEFIT

The Bank participates in a group scheme which is operated for the former employees of the Bank and certain of its fellow subsidiaries. The scheme is a defined benefit scheme, funded by the payment of contributions to a separately administered trust fund. The defined benefit plan administered by NIP is a plan that shares risks between entities under common control and is run on a basis that does not allow the individual company participating within the scheme to identify its share of the underlying assets and liabilities so that it is accounted for by the Bank as a defined contribution scheme. The contributions to the scheme are determined by a qualified actuary. A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2015 by William M Mercer Limited, qualified independent actuaries. The Trustee of the scheme is Premier Pensions Management Ltd., a qualified independent actuary.

The costs of the scheme are borne by NIP, and full disclosure of the scheme is presented in NIP's financial statements.

At 31 March 2015 and 31 March 2014 the plan assets exceeded the value of the plan liabilities, i.e. there was a surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. As the plan closed to all future accrual with effect from 31 October 2005, there is no future benefit accrual and therefore the plan is subject to a net asset limit whereby in these circumstances it is not possible for any surplus to be recognised in NIP's balance sheet. There is no contractual agreement or stated policy for charging the net defined benefit cost to the Bank.

8. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 March 2015 Group and Company **$'000**	31 March 2014 Group and Company **$'000**
Secured lending	772,535	585,784
Other financial instruments	109,972	224,195
	882,507	809,979

9. DERIVATIVE FINANCIAL INSTRUMENTS

Positive fair values

	31 March 2015 Group and Company $'000	31 March 2014 Group and Company $'000
Analysis by counterparty		
Group companies	712,027	736,079
Other	-	42,778
	712,027	778,857

Negative fair values

	31 March 2015 Group and Company $'000	31 March 2014 Group and Company $'000
Analysis by counterparty		
Group companies	995,404	1,067,773
Other	359,621	59,466
	1,355,025	1,127,239

10. TRANSFERRED FINANCIAL ASSETS AND ASSETS HELD OR PLEDGED AS COLLATERAL

Transferred financial assets that are not derecognized in their entirety

The following table for the Bank provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

Transferred financial asset	Fair value of transferred assets 2015 **$'000**	Carrying value of associated liabilities 2015 **$'000**	Fair value of transferred assets 2014 **$'000**	Carrying value of associated liabilities 2014 **$'000**
Relating to securities agreements to repurchase	1,800,379	(1,128,005)	3,014,370	(1,678,523)
Total Assets transferred	1,800,379	(1,128,005)	3,014,370	(1,678,523)

Repurchase agreementsf

The Bank has a program to sell securities under agreements to repurchase (repos) and to purchase securities under agreements to resell (reverse repos). All securities purchased in the table above have been obtained from NIP through reverse repo transactions.

The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange, or other financial assets. These transactions are conducted under terms based on the applicable repo master agreement. If the securities increase or decrease in value the Bank may, in certain circumstances, require, or be required, to pay additional cash collateral. The Bank has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for the cash received as collateral. Generally, the counterparty's recourse is not limited to the transferred assets. The carrying value and the fair value of securities under agreements to repurchase are the same.

Transactions whereby financial assets are transferred, but continue to be recognized in their entirety on the Bank's balance sheet include repurchase agreements and securities transferred to collateralize derivative transactions as well as other financial asset transfers. The transferred financial assets include assets received in reverse repurchase arrangements in which case the associated recognized liability represents the amount to be repaid to counterparties.

Collateral arrangements

Additionally, the Bank has entered into various collateral arrangements with its derivative counterparties or other transactions whereby non cash collateral may be posted. These transactions are conducted under terms based on the applicable derivative agreement (e.g. ISDA Collateral Guidelines). The Bank has determined that it retains substantially all the risks and rewards of the posted non cash collateral, which include credit risk and market risk. The non cash collateral is not derecognised. Generally, the counterparty's recourse is not limited to the transferred assets.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill **$'000**	Other intangible assets **$'000**	Total **$'000**
Cost:			
At 31 March 2014	59,590	2,700	62,290
Additions	-	-	-
Disposals	-	-	-
At 31 March 2015	59,590	2,700	62,290
Amortisation and impairment:			
At 31 March 2014	(28,640)	(167)	(28,807)
Amortisation Charge for the year	-	(45)	(45)
Impairment loss for the year	(30,950)	(2,126)	(33,076)
At 31 March 2015	-	-	-
Net book value:			
At 31 March 2015	-	362*	362*

*Balance has been reported under Assets classified as held for sale

	Goodwill **$'000**	Other intangible assets **$'000**	Total **$'000**
Cost:			
At 31 March 2013	59,590	2,700	62,290
Additions	-	-	-
Disposals	-	-	-
At 31 March 2014	59,590	2,700	62,290
Amortisation and impairment:			
At 31 March 2013	-	(90)	(90)
Amortisation Charge for the year	-	(77)	(77)
Impairment loss for the year	(28,640)	-	(28,640)
At 31 March 2014	(28,640)	(167)	(28,807)
Net book value:			
At 31 March 2014	30,950	2,533	33,483

The intangible asset represents the China banking license that was included in the acquisition of the Bank's China subsidiary.

As part of the Nomura Group's ongoing reviews of its legal entity strategy, the Bank's investment in its Chinese subsidiary was reviewed for impairment during the period. Following this, the goodwill and intangible assets relating to this investment have been impaired by $30,950,205 and $2,126,147 respectively, resulting in the Bank reporting an overall impairment loss of $33,076,352.

12. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 March 2015 Group and Company $'000	31 March 2014 Group and Company $'000
Bonds and medium- term notes, by remaining maturity:		
- Less than 1 year	1,264,599	1,331,282
- Less than 5 years but greater than 1 year	2,126,599	2,538,734
- Greater than 5 years	2,579,145	3,103,509
	5,970,343	6,973,525
Borrowings	49,947	-
Other financial instruments	3,245	6,086
	6,023,535	6,979,611

As of 31 March 2015, 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 $159,679,414 (2014: $299,568,744) more than the principal balance of such long-term borrowings.

The impact of changes in own credit risk included in dealing losses on financial liabilities designated at fair value through profit and loss account was a loss of $23,172,433 (2014: loss of $88,518,970). The 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 $99,433,184 at 31 March 2015 (2014: credit of $76,260,751). The Bank calculates and applies an own credit adjustment based on movements in the credit spread of the Nomura Group.

13. OTHER LIABILITIES

	31 March 2015 Group $'000	31 March 2014 Group $'000
Foreign tax payable	64	459
Other payables	24,007	4,579
	24,071	5,038

The Bank has not breached or defaulted on any of its loan obligations with either third parties or fellow Nomura Group companies.

14. DEFERRED TAXATION

	Deferred tax balance 31 March 2015 $'000	Income statement effect 31 March 2015 $'000	Deferred tax balance 31 March 2014 $'000	Income statement effect 31 March 2014 $'000
Capital allowances	(121)	(1)	(120)	31
General Provisions	-	-	-	9
IAS 39 adjustment	159	(159)	318	(183)
pension and severance	-	-	-	24
Rate difference	-	-	-	-
Unutilised tax losses	(78,371)	(2,670)	(75,701)	(17,179)
Unprovided deferred tax	78,333	2,830	75,503	17,273
	-	-	-	(25)

	31 March 2015 Group $'000	31 March 2014 Group $'000
Balance as at 1 April	-	25
Deferred tax – P&L	-	(25)
Balance at 31 March	-	-

If the China subsidiary were to be disposed, tax capital losses of $60,253,393 are estimated to arise. Given future uncertainty surrounding capital gain recognition a deferred tax asset has not been recognised on these capital losses.

Of the tax trading losses arising of $391,857,187 (2014: $407,519,565), a deferred tax asset of $38,031 (2014: $198,112) has been recognised to offset net UK deferred tax liabilities. A deferred asset of $78,333,407 (2014: $81,305,801) has not been recognised on the remaining losses given the uncertainty surrounding future taxable profits. No deferred tax asset (2014: nil) has been recognised in respect of operations in China.

Deferred tax has been disclosed at 20% in the accounts (2014: 20%) reflecting the reduction in the UK corporation tax rate to 20% which takes effect from 1 April 2015 and which was enacted by the balance sheet date.

From 1 April 2015 there is a 50% restriction on the amount of taxable profits that can be relieved by brought forward losses in existence at 31 March 2015. This restriction was legislated by Finance (No.2) Bill 2015, which was substantially enacted on 26 March 2015. The deferred tax asset recognised at 31 March 2015 has therefore been calculated with reference to this restriction.

15. ASSETS CLASSIFIED AS HELD FOR SALE

The consolidated financial statements include the financial statements of the Bank and the Chinese subsidiary in the following table:

Name of subsidiary	Country of incorporation	Nature of business	% equity interest at 31 March 2015	% equity interest at 31 March 2014
Starbright Finance Co. Limited	China	Banking	100	100

As part of the Nomura Group's review of its legal entity strategy, the Bank has classified its investment in this subsidiary as held for sale; hence it is measured at the lower of its carrying amount or fair value less costs to sell. As a result, the Bank recognised an impairment loss of $33,076,351 of which $30,950,205 was allocated to its goodwill and $2,126,147 was allocated to Intangible Assets.

The carrying amounts of the major classes of assets and liabilities of the Chinese subsidiary, post the impairment event, as at 31 March 2015 are as follows:

	Carrying amount
	$'000
Assets	
Loans and advances to banks	19,190
Intangible assets	362
Other Asset	423
Total assets	19,975
Liabilities	
Other liabilities	(225)
Total liabilities	(225)
Net Assets of disposal entity	19,750

16. SHARE CAPITAL

31 March 2015	Authorised	Allotted and fully paid	
	Number	Number	Consideration
	'000	**'000**	**$'000**
US Dollar Ordinary shares of $1 each	555,000	555,000	555,000

31 March 2014	Authorised	Allotted and fully paid	
	Number	Number	Consideration
	'000	**'000**	**$'000**
US Dollar Ordinary shares of $1 each	555,000	555,000	555,000

17. FINANCIAL RISK MANAGEMENT

The Bank's activities involve both the assumption and transfer of certain risks which must be managed. The most important types of risk are market risk, credit risk, operational risk, model risk and liquidity risk.

The Capital Requirements Directive IV (CRD IV) - including the Capital Requirements Regulation (CRR) - requires the Bank to publish both Pillar 3 and country by country reporting disclosures. This information has been made publically available on the below website: http://www.nomuraholdings.com/company/group/europe

The Role of Financial Instruments

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

The Bank also offers traditional banking products to facilitate customer business such as credit facilities, guarantees and letters of credit. In addition to debt issuances noted above, the Bank obtains financing from capital, bank and intercompany borrowings.

Operational Risk

The Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura's reputation if caused by an operational risk. The Bank uses the Nomura Group's Operational Risk Management ("ORM") framework for the management of the Bank's operational risk.

The Three Lines of Defence

Nomura Group adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising the following elements:

1) 1st Line of Defence: The business which owns and manages its risks
2) 2nd Line of Defence: The ORM function, which defines and co-ordinates Nomura Group's operational risk strategy and framework and provides challenge to the 1st Line of Defence
3) 3rd Line of Defence: Internal and External Audit, who provide independent assurance

The Nomura Group's ORM framework is set out below:

Infrastructure of the framework

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Products and Services

- Risk and Control Self-Assessment ("RCSA"): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.
- Scenario Analysis: Process to identify and assess high impact, low probability 'tail events'.
- Event Reporting: Process to obtain information on and learn from actual events impacting Nomura and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.
- Key Risk Indicators ("KRI"): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

- Analysis and reporting: A key aspect of ORM's role is to analyse, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under Basel standards and local regulatory requirements.

<u>Risk Management Structure</u>

The Directors are ultimately responsible for identifying and controlling risks through their overall risk management approach and approval of risk strategies and principles. Responsibility for risk reporting and control are undertaken by the following independent departments set up within the Bank or under service level agreements with affiliate companies.

<u>Departments</u>

Capital Allocation

The annual process for budgeting entity level capital needs is part of the ICAAP exercise which takes place in conjunction with the budget related processes. The setting of all current and budgeted capital requirements relating to UK-regulated entities is coordinated and challenged by the Financial and Regulator Control functions within EMEA Finance. The Financial and Regulatory Control functions are also responsible for monitoring compliance with capital usage limits to ensure capital adequacy targets are met.

Treasury Department

The Treasury department monitors compliance with the Bank's liquidity, currency and cash flow policies.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Department

The Risk Management Division comprises various departments or units in charge of risk management established independently from Nomura's business units. The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, as well as reporting to regulatory bodies and handling regulatory applications concerning risk management methods and other items as necessary. It also reports key risk information and relevant matters to the Executive Management and Risk Committee.

Finance Department

The Finance Department monitors compliance with internally and externally set regulatory limits and guidelines.

Internal Audit

The Nomura Group Internal Audit Department has responsibility to examine, evaluate and make recommendations on the appropriateness and the effectiveness of the internal control of all business and operational activities.

The Global Head of Internal Audit has an independent reporting line to the Internal Controls Committee, the Chairman of the Nomura Holdings, Inc. Audit Committee and the Audit Mission Directors in Tokyo.

In EMEA, the Head of Internal Audit has an independent reporting line to the Chairmen of the Audit Committees of NEHS and NBI. The EMEA Head of Internal Audit also reports to the Global Head of Internal Audit and locally to the Chief Executive Officer of EMEA.

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents.

The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment.

Audit execution is also risk-based. Key controls are identified and a variety of techniques are used to evaluate the adequacy of the design and the effectiveness of the controls, including inquiry and observation, sample testing and, in some cases, substantive testing.

Internal Audit reports its findings and the agreed action plans, target dates and responsible owners to the relevant Audit Committee(s), Senior Management and Line Management as appropriate.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

The status of outstanding action plans is reviewed regularly and reported to Management periodically. Internal Audit also performs validation work for action plans which Management represents as having been completed.

The Bank's Risk Committees

Audit Committee

The Audit Committee is responsible for ensuring that an effective internal control environment is maintained within the Company, and for ensuring that corporate objectives are achieved and are consistent with those of the Nomura Group and the ultimate group holding company, NHI.

Executive Management and Risk Committee ("EMRC")

The EMRC, under authority delegated by the Directors, is responsible for reviewing and considering all risk matters including, without limitation, credit, liquidity, operational and market risk in all the regions the Bank has a presence, as well as developing and overseeing business and operational strategies and policies and ensuring corporate objectives of the Bank are achieved. Additionally, as the Bank's Executive Committee, the EMRC has responsibility for the day-to-day management of the Bank..

Risk Measurement and Reporting Systems

Risk reporting and control is administered mainly via Monju, an in-house system which provides daily financial indicators including Value-at-Risk ("VaR") and economic capital (Nomura Capital Allocation Target or "NCAT").

a) Market Risk

Market risk is the risk of loss arising from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).

Within the Nomura European Holdings Group, there is a formal process for the allocation and management of economic capital ("NCAT") which is facilitated through the capital allocation agenda discussed by the Capital Allocation Committee.

The Bank uses a variety of statistical risk measurement tools to assess and monitor market risk on an ongoing basis including, but not limited, to Value at Risk ("VaR"), Stressed VaR ("SVaR") and Incremental Risk Charge ("IRC"). The Risk Management Division calculates VaR and NCAT numbers daily for all businesses. These figures are included in weekly reporting to senior management.

The Bank transfers its risks to other Nomura Group companies using derivative products; therefore its market risk is immaterial. No additional VaR disclosures have been made.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

i) Equity Price Risk and Issuer Credit Risk

The primary sources of equity price risk and issuer credit risk for the Bank arise from the issuance of debt with returns linked to equity, credit instruments or other indices.

The bank mitigates such risks through the purchase of direct hedges or by transferring such risks to other Nomura Group companies using derivative products.

As described in note 1(e) (ii) management designates such debt instruments, together with related non-derivative hedges, as fair value through profit and loss. Related derivative hedges are accounted for as Held for Trading items.

The table below shows an analysis of the risks on a notional basis for non-trading items designated at fair value and those that are held for trading:

31 March 2015:	Equity Risk $'000	Credit Risk $'000	Total $'000
Financial instruments designated at fair value through profit and loss and held for trading:			
- Financial liabilities	(1,451,046)	(5,189,617)	(6,640,663)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	772,535	-	772,535
Financial instruments held for trading:			
- Derivative Financial Instruments:			
- Fixed income and credit derivatives	-	5,819,617	5,189,617
- Equity derivatives	678,511	-	678,511
	-	-	-

31 March 2014:	Equity Risk $'000	Credit Risk $'000	Total $'000
Financial instruments designated at fair value through profit and loss and held for trading:			
- Financial liabilities	(1,539,340)	(5,882,887)	(7,422,227)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	585,784	-	585,784
Financial instruments held for trading:			
- Derivative Financial Instruments:			
- Fixed income and credit derivative	-	5,882,887	5,882,887
- Equity derivatives	953,556	-	953,556
	-	-	-

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

i) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. During the course of the Treasury department's financing and investment activities there is often a need to swap surplus flows in one currency into another currency, a process achieved using currency swap transactions in both outright and derivative forms.

Management will always attempt to minimise structural currency risk and Treasury does not take any views on definitive outright positions, but will always have a translational currency risk given the European nature of assets held on the statement of financial position.

ii) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Fair value interest rate risk arises from mismatches between the future yield on financial assets and their associated funding costs as a result of interest rate changes.

It is the Bank's policy to mitigate such risk through minimising the mismatch of the dates on which interest receivable on financial assets and interest payable on liabilities are next reset to the market rates or, if earlier, the date on which the instruments mature. Where applicable, derivative transactions are used to reduce this interest rate gap. In accordance with the outsourcing contract, NIP's Treasury department monitors compliance with interest rate gap policies, which are subsequently monitored independently by the Market Risk department. Almost all exposure is hedged to a 3 month LIBOR (or equivalent) position or shorter.

At 31 March 2015, the Bank had no significant exposure to fair value interest rate risk.

b) Credit Risk

Credit risk is the risk of loss from an obligor or counterparty's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty.

Credit risk exposure is managed by Credit Risk Management ("CRM") together with various global and regional risk committees. This ensures transparency of material credit risks and compliance with established credit limits, the approval of material extensions of credit and the escalation of risk concentrations to appropriate senior management.

CRM operates as a credit risk control function within the Risk Management Division, reporting to the CRO. The process for managing credit risk at Nomura includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of Nomura's current and potential future credit exposures;
- Setting credit terms in legal documentation including margin terms; and

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

- Use of appropriate credit risk mitigants including netting, collateral and hedging.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue and the counterparty. The Bank trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

The Bank is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Counterparty exposure limits are set within the external Large Exposure limit requirements laid down by the Bank's regulator, the FCA and PRA.

As described in note 1(l), the Bank enters into netting agreements with certain counterparties to mitigate its exposure its credit exposure. Amounts are only netted if there is a legal right to offset and the entity intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. The impact of offsetting financial assets and financial liabilities which are subject to master netting agreements is not reflected in the Statement of Financial Position. At 31 March 2015 no transactions meet these criteria.

The Bank mitigates its exposure to NIP requiring that cash lent is collateralised with securities (reverse repurchase transactions). At 31 March 2015 the fair value of securities pledged to the Bank by NIP was $9.2 billion, and largely comprised highly rated European government bonds. None of this collateral was repledged or retransferred at the reporting date. The exercise of collateral will lead to a significant reduction in the potential loss in the value of the corresponding financial asset in the event of a counterparty failing to perform its contractual commitment.

Credit Risk Exposure

Generally, the Bank's maximum exposure to credit risk at the balance sheet date approximates the financial instruments' carrying amount. However, the below discloses the maximum exposure to credit risk for financial instruments where their carrying amount differs to their maximum exposure to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Bank to a risk of loss due to default by the parties underlying these contracts are also disclosed.

	Maximum Exposure to Credit Risk 31 March 2015 $'000	Maximum Exposure to Credit Risk 31 March 2014 $'000
Financial guarantee contracts	271,101	142,610

The Bank receives a combination of cash and securities collateral from NIP with respect to its net derivative exposure with NIP. At 31 March 2015, cash received amounted to $477,825,988 and the fair value of securities received totalled $nil. At 31 March 2014 the Bank received cash amounted to $229,225,453 and the fair value of securities received totalled $nil. Taking into account collateral and other credit enhancements, the Bank's

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

significant credit risk is to NIP. The Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP.

Off balance sheet commitments

In the normal course of business, the Bank provides corporate counterparties with loan commitment facilities. The notional amount of undrawn commitments is held off balance sheet, until the point at which they become drawn. The fair value of the commitments and the drawn facility are carried at fair value on the Statement of Financial Position.

In addition, the Bank provides certain financial guarantees to third parties over their exposure to Nomura group companies.

Maximum Exposure to Credit Risk by Credit Rating

The credit quality of assets and off balance sheet commitments which are subject to credit risk is summarised below. The credit ratings are determined by the Bank's internally determined public rating agency equivalents.

	Maximum Exposure to Credit Risk 31 March 2015 $'000	Maximum Exposure to Credit Risk 31 March 2014 $'000
Financial Assets		
AA	4,480	1,385
A	32,814	179,653
BB	-	42,500
BBB	9,800,820	10,450,812
Not rated	14,706	51,346
Total	9,852,820	10,725,696
Off balance sheet commitments and financial guarantee contracts		
A	674,957	1,598,518
BBB	599,771	599,371
BB	10,000	-
B	76,849	16,704
Total	1,361,577	2,214,592
Total exposure to credit risk by credit rating	11,214,394	12,940,288

Within "not rated" are balances representing the pool of counterparties which individually do not generate material credit risk for the Bank. In addition, the goodwill and intangible fixed asset arising on acquisition of the Bank's China subsidiary is included within "not rated"

Substantially all the financial assets with exposures rated BBB are collateralised using a mixture of securities collateral, largely comprising highly rated European government bonds,

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

or cash. In addition, the Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP. A significant proportion of the Bank's BBB exposure is with NIP.

Included within "not rated" is a loan which is past due at the reporting date, carried at a total of $nil (2014: $425,287) . All credit risk arising on these positions is hedged with NIP; therefore there is no net impact on the profit and loss account of the Bank.

Concentrations of Credit Risk

Due to the Bank's approach to mitigating risk, it is not exposed to any significant concentration risk other than that from other Nomura Group companies.

c) Liquidity Risk

The Bank defines liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from various scenarios and could be due both to Nomura-specific and market-wide events. Liquidity risk management policy is based on the Board approved liquidity risk appetite. Our primary objective for liquidity risk management is to ensure continuous liquidity across market cycles and periods of market stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within one year can be met without any reliance on additional unsecured funding or forced liquidation of assets.

The firm's Maximum Cumulative outflow (MCO) model quantifies the amount of liquidity required to survive the approved stress scenarios. The Bank manages liquidity risk on a self-sufficiency basis and controls liquidity usage via an unsecured funding limit framework. To ensure a readily available source of liquidity to meet the modelled liquidity requirements, we maintain a liquidity portfolio in the form of highly liquid, unencumbered securities that may be sold or pledged to provide liquidity called "the liquidity pool".

NBI as a UK regulated entity is fully compliant with the UK PRA prescribed liquidity requirements.

Contractual Maturity Table

The table below shows the maturity profile of the Bank's assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 March 2015: Group	On demand $'000	Less than 30 days $'000	31 days - 1 year $'000	1-5 year $'000	Later than 5 years $'000	Total $'000
Financial assets						
Loans and advances to banks	21,913	-	-	-	-	21,913
All other loans and advances	-	-	-	93,940	-	93,940
Loans and advances to affiliates	-	-	-	348	30,000	30,348
Financial assets designated at fair value through profit and loss						
- Secured lending	-	1,399	62,605	671,730	36,801	772,535
- Other financial instruments	-	-	-	7,205	102,767	109,972
Securities purchased under agreement to resell	3,909,116	-	3,156,392	1,000,000	-	8,065,508
Available-for-sale financial investments	-	-	-	-	11	11
Equity securities held for trading	-	-	-	-	-	-
Derivatives held for trading	623,928	-	88,099	-	-	712,027
Assets classified as held for Sale	19,975	-	-	-	-	19,975
Other asset categories	26,563	-	-	-	28	26,591
Total assets	4,601,495	1,399	3,307,096	1,773,223	169,607	9,852,820

31 March 2014: Group	On demand $'000	Less than 30 days $'000	31 days - 1 year $'000	1-5 year $'000	Later than 5 years $'000	Total $'000
Financial assets						
Loans and advances to banks	14,599	-	-	-	-	14,599
All other loans and advances	-	-	17,300	139,200	-	156,500
Loans and advances to affiliates	-	-	689	463	30,000	31,152
Financial assets designated at fair value through profit and loss						
- Secured lending	-	-	24,110	525,432	36,242	585,784
- Other financial instruments	-	-	425	10,482	213,288	224,195
Securities purchased under agreement to resell	5,801,261	1,337,291	828,523	850,000	-	8,817,075
Available-for-sale financial investments	-	-	-	-	14	14
Equity securities held for trading	-	565	-	-	-	565
Derivatives held for trading	723,899	-	54,958	-	-	778,857
Other asset categories	83,424	-		-	33,531	116,955
Total assets	6,623,183	1,337,856	926,005	1,525,577	313,075	10,725,696

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Contractual Maturity Table

The table below shows the Bank's liabilities by remaining contractual maturity, taking into account early redemption features. Derivatives and other instruments containing embedded derivatives including structured note issuances and other financial liabilities designated at fair value are presented at their fair values. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Financial liabilities designated at fair value are disclosed based on their earliest redemption date. Given the complex nature of the Bank's financial liabilities designated at fair value and the volatility in relation to the performance of the underlying instruments, fair value is deemed an appropriate measure of the contractual amount at maturity.

31 March 2015:	On demand	Less than 30 days	31 days - 1 year	1-5 year	Later than 5 years	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities						
Customer accounts	177	-	-	-	-	177
Borrowing from affiliates	478,589	72,000	33,634	-	83,223	667,446
Borrowing from others	-	881	158,210	15,744	4,184	179,019
Financial liabilities designated at fair value through profit and loss						
- Bonds and medium-term notes	-	449,797	814,802	2,126,600	2,579,144	5,970,343
- Other financial instruments	-	-	-	3,245	-	3,245
- Borrowing	-	-	49,947	-	-	49,947
Derivative held for trading	1,316,513	-	38,512	-	-	1,355,025
Securities sold under agreements to repurchase	-	-	128,005	1,000,000	-	1,128,005
Liabilities directly associated with assets classified as held for sale	225	-	-	-	-	225
Other liability categories	68,434	-	-	-	-	68,434
Total liabilities	1,863,938	522,678	1,223,110	3,145,589	2,666,551	9,421,866
Other Commitments	271,102	-	10,000	487,793	58,934	827,829
Standby letters of credit issued	-	-	-	238,750	295,000	533,750

The Bank is not aware of any breaches of loan payables during the year.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 March 2014:	On demand	Less than 30 days	31 days - 1 year	1-5 year	Later than 5 years	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities						
Customer accounts	223	-	-	-	-	223
Borrowing from affiliates	229,225	50,000	8,422	-	30,000	317,647
Borrowing from others	-	-	2,063	17,231	-	19,294
Financial liabilities designated at fair value through profit and loss						
- Bonds and medium-term notes	-	45,830	1,285,453	2,538,734	3,103,508	6,973,525
- Other financial instruments	-	-	-	6,086	-	6,086
Derivative held for trading	1,095,052	-	32,187	-	-	1,127,239
Securities sold under agreements to repurchase	-	-	-	828,523	850,000	1,678,523
Other liability categories	126,104	-	-	-	-	126,104
Total liabilities	1,450,604	95,830	1,328,125	3,390,574	3,983,508	10,248,641
Other Commitments	142,610	-	137,865	747,623	5,744	1,033,842
Standby letters of credit issued	-	-	-	263,750	917,000	1,180,750

d) Model Risk

Model risk is the risk arising from model errors or incorrect or inappropriate model application, which can lead to financial loss, poor business and strategic decision making, restatement of external and internal reports, regulatory penalties and damage to the Bank's reputation.

Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused.

The Nomura Group has documented policies in place, which define the process and validation procedures required in order to implement new or amend existing valuation and risk models. Before models are put into official use, the Model Validation Group ("MVG") is responsible for validating their integrity and comprehensiveness independently from those who design and build them. All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. For changes with an impact above certain materiality thresholds, model approval is required.

e) Business Risk

Business risk is the risk of failure of revenues to cover costs due to deterioration in the earnings environment or deterioration in the efficiency or effectiveness of Nomura's business operations. Managing business risk is the responsibility of Nomura's Executive Managing Directors and Senior Managing Directors.

18. 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 loans and receivables and other liabilities due within 12 months are assumed to approximate to their carrying values.

b) Financial assets classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model.

c) Financial assets and liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. 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.

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

Fair value hierarchy

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. 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.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Group

Fair value hierarchy – Assets

31 March 2015:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
- Equities	-	-	-	-
- Derivatives	-	548,524	163,503	712,027
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	772,535	-	772,535
- Other financial instruments	-	7,209	102,763	109,972
	-	1,328,268	266,266	1,594,534

31 March 2014:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
- Equities	-	-	565	565
- Derivatives	-	581,144	197,713	778,857
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	585,784	-	585,784
- Other financial instruments	-	10,482	213,713	224,195
	-	1,177,410	411,991	1,589,401

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Group

Fair value hierarchy – Liabilities

31 March 2015:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	984,520	370,505	1,355,025
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	5,970,343	-	5,970,343
- Borrowings	-	49,947	-	49,947
- Other	-	3,245	-	3,245
	-	7,008,055	370,505	7,378,560

31 March 2014:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	703,624	423,615	1,127,239
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	6,973,525	-	6,973,525
- Other	-	6,086	-	6,086
	-	7,683,235	423,615	8,106,850

Level 3 financial assets and financial liabilities

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

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

18. 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.

31 March 2015: Group	At 1 April 2014	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2015	Unrealised Total gains (losses)in P&L
$'000s							
Financial assets							
Financial assets held for trading:							
- Equity Securities	565	-	-	(565)	-	-	-
- Derivatives	197,713	(10,759)	-	22,156	(45,607)	163,503	(32,732)
Financial assets designated fair value through profit and loss:							
- Loans and receivables	213,713	2,401	(113,351)	-	-	102,763	2,392
	411,991	(8,358)	(113,351)	21,591	(45,607)	266,266	(30,340)

31 March 2014: Group	At 1 April 2013	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2014	Unrealised Total gains (losses)in P&L
$'000s							
Financial assets							
Financial assets held for trading:							
- Equity Securities	-	565	-	-	-	565	565
- Derivatives	233,984	25,304	-	(48,916)	(12,660)	197,713	355
Financial assets designated fair value through profit and loss:							
- Loans and receivables	123,868	(9,142)	98,988	-	-	213,713	(9,256)
	357,852	16,727	98,988	(48,916)	(12,660)	411,991	(8,336)

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

31 March 2015: Group	At 1 April 2014	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2015	Unrealised Total gains (losses)in P&L
$'000s							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	423,615	32,316	-	(128,136)	42,710	370,505	(58,997)
	423,615	32,316	-	(128,136)	42,710	370,505	(58,997)

31 March 2014: Group	At 1 April 2013	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 31 March 2014	Unrealised Total gains (losses)in P&L
$'000s							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	436,011	46,874	-	(36,828)	(22,441)	423,615	68,345
	436,011	46,874	-	(36,828)	(22,441)	423,615	68,345

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

During the year, no financial liabilities designated at fair value through profit and loss were transferred out of level 3.

19. OFFSETTING DISCLOSURES

The Bank does not perform any balance sheet netting. The following tables provide a summary of financial assets and liabilities subject to enforceable master netting arrangements and similar agreements.

31 March 2015 Group $'000s	Securities purchased under agreements to resell	Secured lending	Derivatives Assets	Securities sold under agreements to repurchase	Derivatives Liabilities	Other
Total gross balance[1]	7,937,502	772,535	712,027	-	(961,633)	-
Less: Additional amounts not offset in the consolidated balance sheet[2]	-	-	-	-	-	-
Financial instruments and non-cash collateral	(7,937,502)	(772,535)	(189,097)	-	961,633	-
Cash collateral	-	-	(477,826)	-	-	-
Net amount	-	-	45,104	-	-	-

(1) Includes all recognized balances irrespective of whether they are transacted under legally enforceable master netting agreements. Amounts include transactions carried at fair value through election of the fair value option and amounts carried at amortized cost.

(2) Represents amounts which are not permitted to be offset on the face of the balance sheet but which provide the Bank with the right of offset in the event of counterparty default. Amounts relating to agreements where the Bank does not have a legal right of offset or has not yet determined with sufficient certainty whether the right of offset is legally enforceable are excluded.

31 March 2014 Group $'000s	Securities purchased under agreements to resell	Secured lending	Derivatives Assets	Securities sold under agreements to repurchase	Derivatives Liabilities	Other
Total gross balance[1]	8,677,877	585,784	733,463	(689,325)	(1,066,416)	-
Less: Additional amounts not offset in the consolidated balance sheet[2]	-	-	-	-	-	-
Financial instruments and non-cash collateral	(8,677,877)	(585,784)	(480,132)	689,325	1,066,168	-
Cash collateral	-	-	(229,225)	-	-	-
Net amount	-	-	24,106	-	(248)	-

20. CAPITAL MANAGEMENT POLICY

UK Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank is able to withstand losses due to extreme market movements. To achieve these goals, sufficient capital is maintained to support the Bank's business. The Bank looks to mitigate risk through the use of derivative arrangements with other Nomura Europe group companies.

The Bank reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of asset size and level of capital take into consideration regulatory requirements, economic risks inherent in the business and maintenance of a desirable debt rating appropriate to a global financial institution. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Bank is subject to and has complied with the regulatory requirements of the FCA and PRA under CRDIV framework.

No changes were made in the objectives, policies or processes for managing capital in the year.

UK Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the FCA and PRA for supervisory purposes define two 'Tiers' of capital resources. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital and audited retained earnings. The Bank does not currently maintain Tier 2 capital. Capital can be used to support both trading and non-trading activity and all market and counterparty risks

	2015	2014
	$'000s	**$'000s**
Tier 1 capital	606,734	605,291
Total capital resources	606,734	587,581

The Bank's China subsidiary's Capital Management

The Bank's China subsidiary's approved capital as of 31 March 2015 amounted to $24,200,000 (2014: $24,200,000). The subsidiary bank monitors its total equity to maintain a solid capital base to support the operations and development of its business in the long term.

21. 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 31 March 2015 the exposure on these financial guarantee contracts amounted to $271,101,423 (2014: $142,609,914).

Commitments

The Bank had commitments as at 31 March 2015 amounting to $1,090,475,841 (2014: $2,047,166,508) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

22. 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 to the amount of $8,710,037,451 as of 31 March 2015 (2014: $9,263,661,034). Prepayments including interest receivables owed from NIP amounted to $nil as at March 2015 (2014: $11,721,283)

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 $712,026,741 as of 31 March 2015 (2014: $732,724,703) and fair value of derivative liabilities with NIP is $995,435,541 (2014: $1,066,212,651). The Bank receives a combination of cash and securities collateral from NIP with respect to its net derivative exposure with NIP, disclosed on page 47 within note 17.

iii. The Bank has other receivables due from NIP of $24,932,934 (2014: $45,845,966) as of 31 March 2015 and other payables due to NIP of $120,468,028 (2014: $102,322,938).

iv. The Bank advanced a loan to NIP to the amount of $347,695 (2014: $1,152,138).

22. RELATED PARTY TRANSACTIONS (CONTINUED)

v. The Bank has secured financing payables owing to NIP of $128,005,358 as of 31 March 2015 (2014: $139,197,990).

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

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

b. Transactions with Nomura Bank (Luxembourg) S.A. (NBL)

i. The Bank has secured financing payables owing to NBL of $nil as of 31 March 2015 (2014: $689,325,247).

c. Transactions with Nomura Securities International, Inc (NSI)

i. The Bank entered into a secured financing receivable with NSI of $nil as of 31 March 2015 (2014: $nil).

d. Transactions with other Nomura group companies

i. The Bank entered into derivative agreements with other Nomura group companies. The fair value of these derivative assets is $nil as of 31 March 2015 (2014: $3,354,157), and the fair value of derivative liabilities owed to these related parties is $nil as of 31 March 2015 (2014: $1,560,240).

ii. The Bank has an investment of $300,000,000 in vanilla floating rate notes issued by a related party (2014: $300,000,000)

iii. The Bank has overdrafts and borrowings due to other Nomura group companies of $79,634,279 (2014: $30,000,000) and loans and advances due from other Nomura group companies of $30,000,000 (2014: $30,000,000).

iv. The Bank had paid cash collateral on its derivatives and a related receivable from Nomura Group companies is $nil (2014: $nil)

For the years ended 31 March 2015 and 31 March 2014, there were no impairment losses on any of the above disclosed related party receivables.

The risk on the Bank's transactions is predominantly retained by other Nomura Group companies. Therefore many "back-to-back" transactions exist between the Bank and other Nomura Group companies.

In addition to the above, the Bank has significant dependencies with other Nomura Group companies. Certain Corporate services, including the use of IT systems, are provided by NIP through service level agreements. The premises where the Bank is registered and operates are leased by Nomura Properties plc.

23. ULTIMATE PARENT COMPANY

The Bank's ultimate parent company and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings, Inc., which is incorporated in Japan.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company which is incorporated in the United Kingdom.

Copies of the financial statements of Nomura Holdings, Inc. and Nomura Europe Holdings plc can be obtained from 9-1, Nihonbashi 1-chome, Chuo-ku. Tokyo 103-8645, and 1 Angel Lane, London EC4R 3AB, respectively.