Nomura Europe Holdings plc Group

Quarterly Pillar 3 Disclosures

31st December 2023

NOMURA

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Introduction

Background

Nomura Europe Holdings plc ("NEHS") is a Prudential Regulation Authority ("PRA") approved parent financial holding company. NEHS along with its subsidiaries form the NEHS Group (the "Group"). The Group is subject to regulation on a consolidated basis. The regulatory consolidation is produced in accordance with the UK's regulations as set out in the onshored Capital Requirements Regulation ("CRR") and PRA Rules and standards. These requirements are largely based on the Basel Committee's final capital framework for strengthening international capital standards ("Basel III").

Scope of Application

The Pillar 3 disclosures as of 31st December 2023 are prepared on the basis of the consolidated situation of the Group which is disclosed on the basis of being large and listed.

Nomura International plc ("NIP"), a regulated subsidiary of the Group which is authorised by the PRA and regulated by the PRA and the FCA, is considered a large non-listed subsidiary. Other regulated subsidiaries of the Group are not considered to be large subsidiaries as of 31st December 2023 and are therefore not disclosed in this document. This includes Nomura Bank International plc, Nomura Financial Products Europe GmbH, Nomura Bank Luxembourg S.A., Banque Nomura France S.A., Nomura Alternative Investment Management France S.A.S and Nomura Bank Switzerland Ltd.

Scope of Consolidation

The Group's regulatory consolidation includes UK and non-UK regulated entities; Article 6 of the CRR provides guidance on capital calculations and consolidation of subsidiary undertakings. The regulatory consolidation includes certain entities which have been consolidated using the equity method while full consolidation has been applied for accounting consolidation under UK GAAP.

All companies within the Group are limited by ordinary shares. Apart from the requirements to hold regulatory capital, subject to regulatory approval by the relevant local authority, there is no practical or legal impediment to the prompt transfer of capital between entities within the Group. The Group is a 100% owned subsidiary of Nomura Holdings Inc. ("NHI") (incorporated in Japan), the ultimate parent of the Group. NHI publishes separate Pillar 3 disclosures (NHI Pillar 3). NHI, together with the Group and NHI's other subsidiary undertakings, form the "Nomura Group".

With effect from April 2015, the Group applied the UK Companies Act 2006 exemption from producing statutory group accounts. The exemption applies to a UK parent company where certain conditions are met. Specifically, this includes where the UK parent and all of its subsidiaries are included in group accounts of a larger non-European Economic Area ("EEA") group prepared in accordance with accounting standards which are equivalent to EU-adopted IFRS. Statutory consolidated accounts for the Group are therefore not published.

Bank Recovery and Resolution Directive

Article 26 of the Bank Recovery and Resolution Directive ("BRRD") states that information pertaining to any group financial support agreement pursuant to Article 19 of the BRRD needs to be made public. Pursuant to this disclosure requirement, the Group has not entered into any group financial support agreement.

Regulatory Framework for Disclosures

The Group has minimum capital adequacy requirements imposed by the PRA and is in compliance with these requirements.

The Basel committee's framework is structured around three 'pillars':

- Pillar 1: minimum capital requirements
- Pillar 2: supervisory review and evaluation process ("SREP")
- Pillar 3: market discipline

The aim of the Pillar 3 disclosures is to allow market participants to assess the Group's capital condition, risk exposures and risk management practices. Pillar 3 requires all significant risks to be disclosed in order to provide stakeholders with a comprehensive view of the Group's risk profile and capital adequacy.

Pillar 3 Disclosures

Pillar 3 disclosures have been prepared in accordance with Part 8 of the CRR and associated PRA supervisory rules and regulatory standards.

The disclosures made in this document do not constitute financial statements and are not required to be subjected to an external audit. The disclosures are approved by the Group's Board and NEHS Audit Committee before being made publicly available.

The full Pillar 3 disclosure document is prepared on an annual basis with limited disclosures made on a quarterly and semi-annual basis. Any historic comparatives presented in the disclosure are calculated according to the regulation in force at the relevant date.

This document is available either online within the 'Investor Relations' section under the Nomura corporate website (the Group Pillar 3) or by application in writing to the EMEA Financial Controller at Nomura International plc, 1 Angel Lane, London, EC4R 3AB.

Management Responsibility Statement

I confirm that I have taken reasonable steps to ensure that the information included in this disclosure complies to the best of my knowledge with the CRR disclosure requirements and has been prepared in accordance with relevant formal policies and internal processes, systems and controls of the Group.

Stephen Fuggle

CFO Nomura Europe Holdings plc

Key Metrics

Template UK KM1 – Key metrics template for the Group

The table below shows the key metrics for the Group[1]

	$m	The Group				
		a	b	c	d	e
		Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	5,596	5,564	5,567	5,573	5,456
2	Tier 1 capital	5,596	5,564	5,567	5,573	5,456
3	Total capital	7,724	7,724	7,727	7,733	7,616
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	35,364	32,555	33,116	31,321	31,747
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.82%	17.09%	16.81%	17.78%	17.18%
6	Tier 1 ratio (%)	15.82%	17.09%	16.81%	17.78%	17.18%
7	Total capital ratio (%)	21.84%	23.73%	23.33%	24.66%	23.99%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	2.37%	2.37%	2.37%	2.37%	2.37%
UK 7b	Additional AT1 SREP requirements (%)	0.79%	0.79%	0.79%	0.79%	0.79%
UK 7c	Additional T2 SREP requirements (%)	1.05%	1.05%	1.05%	1.05%	1.05%
UK 7d	Total SREP own funds requirements (%)	12.21%	12.21%	12.21%	12.21%	12.21%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.57%	0.55%	0.35%	0.30%	0.27%
UK 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	3.07%	3.05%	2.85%	2.80%	2.77%
UK 11a	Overall capital requirements (%)	15.28%	15.26%	15.06%	15.01%	14.98%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.67%	7.93%	7.65%	8.64%	8.03%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	135,253	129,847	128,339	129,590	137,768
14	Leverage ratio excluding claims on central banks (%)	4.14%	4.28%	4.34%	4.30%	3.96%
	Additional leverage ratio disclosure requirements					
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.14%	4.28%	4.34%	4.30%	
UK 14b	Leverage ratio including claims on central banks (%)	3.94%	4.10%	4.16%	4.17%	
UK 14c	Average leverage ratio excluding claims on central banks (%)	4.22%	4.32%	4.21%	4.12%	
14d	Average leverage ratio including claims on central banks (%)	4.05%	4.15%	4.08%	4.00%	
14e	Countercyclical leverage ratio buffer (%)	0.20%	0.20%	0.10%	0.10%	
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	21,259	21,749	22,230	22,304	22,485
UK 16a	Cash outflows - Total weighted value	30,844	31,381	31,513	31,246	31,657
UK 16b	Cash inflows - Total weighted value	22,889	23,336	23,776	23,962	24,581
16	Total net cash outflows (adjusted value)	8,030	8,111	8,050	7,951	7,962
17	Liquidity coverage ratio (%)	266.05%	268.92%	276.83%	281.67%	283.42%
	Net Stable Funding Ratio					
18	Total available stable funding	29,749	29,540	29,121	28,948	
19	Total required stable funding	21,665	20,526	19,287	18,716	
20	NSFR ratio (%)	137.95%	143.92%	151.25%	154.67%	

1. *The Group is required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 31st December 2023, the Group is in compliance with the PRA capital requirements.*

Movements in Key Metrics over the period for the Group

Tier 1 capital ratio has decreased during the quarter due to an increase in Risk Weighted Exposure Amounts (“RWEA”), offset by an increase in Tier 1 capital.

Leverage ratio has decreased in the quarter, primarily driven by an increase in the exposure measure.

Liquidity Coverage ratio (“LCR”) has remained relatively flat during the quarter.

Net Stable Funding ratio (“NSFR”) has decreased during the quarter driven by an increase in required stable funding in line with balance sheet usage.

Transitional Provisions

Following adoption of IFRS 9 on 1st April 2018 the Group now applies the Expected Credit Loss ("ECL") model which replaces the incurred loss model under IAS 39. The table provides a comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9. CRR article 473a ECL transitional relief has been extended to provide additional ECL relief following COVID-19. The relief permits the Group to add back to its own funds 100% of any increases in ECL arising from 1st January 2020 (deemed to be as a result of COVID-19) with the relief factor reducing to 25% by 2025.

Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs for the Group

The table below shows a comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs for the Group as at 31st December 2023:

	The Group				
$m	**Dec-23**	**Sep-23**	**Jun-23**	**Mar-23**	**Dec-22**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,596	5,564	5,567	5,573	5,456
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,596	5,564	5,567	5,572	5,454
Tier 1 capital	5,596	5,564	5,567	5,573	5,456
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,596	5,564	5,567	5,572	5,454
Total capital	7,724	7,724	7,727	7,733	7,616
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	7,724	7,724	7,727	7,732	7,614
Risk Weighted Assets					
Total risk-weighted assets	35,364	32,555	33,116	31,321	31,747
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.82%	17.09%	16.81%	17.79%	17.19%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	15.82%	17.09%	16.81%	17.79%	17.18%
Tier 1 (as a percentage of risk exposure amount)	15.82%	17.09%	16.81%	17.79%	17.19%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	15.82%	17.09%	16.81%	17.79%	17.18%
Total capital (as a percentage of risk exposure amount)	21.84%	23.73%	23.33%	24.69%	23.99%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	21.84%	23.73%	23.33%	24.69%	23.98%
Leverage Ratio					
Leverage ratio total exposure measure	135,253	129,847	128,339	129,590	137,768
Leverage ratio	4.14%	4.28%	4.34%	4.30%	3.96%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	4.14%	4.28%	4.34%	4.30%	3.96%

Capital Requirements

Template UK OV1 – Overview of risk weighted exposure amounts for the Group

The table below shows RWEAs and own funds requirements for the Group as at 31st December 2023:

$m		The Group		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		A	b	c
		Dec-23	Sep-23	Dec-23
1	**Credit risk (excluding CCR)**	3,463	**3,106**	**277**
2	Of which the standardised approach	3,463	3,106	277
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
UK 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**22,520**	**19,836**	**1,801**
7	Of which the standardised approach	5,518	5,180	441
8	Of which internal model method (IMM)	9,602	7,548	768
UK 8a	Of which exposures to a CCP	149	222	12
UK 8b	Of which credit valuation adjustment - CVA	2,761	3,075	221
9	Of which other CCR	4,490	3,811	359
15	**Settlement risk**	**29**	**44**	**2**
16	**Securitisation exposures in the non-trading book (after the cap)**	**-**	**-**	**-**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
UK 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**5,983**	**6,027**	**478**
21	Of which the standardised approach	1,279	1,065	102
22	Of which IMA	4,704	4,962	376
UK 22a	**Large exposures**	**165**	**338**	**13**
23	**Operational risk**	**3,204**	**3,204**	**256**
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	3,204	3,204	256
UK 23c	Of which advanced measurement approach	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	-	-	-
29	**Total**	**35,364**	**32,555**	**2,827**

Movements in RWA over the period

Counterparty credit risk increased over the quarter mainly due to increased derivative and securities financing transaction ("SFT") exposures.

Counterparty Credit Risk and Credit Risk

Template UK CCR7 – RWEA flow statements of CCR exposures under the IMM for the Group

The table below shows how the RWEA under the IMM have changed over the prior quarter for the Group:

$m		The Group
		a
		RWEA
1	**RWEA as at 30th September 2023**	**7,548**
2	Asset size	2,002
3	Credit quality of counterparties	52
4	Model updates (IMM only)	-
5	Methodology and policy (IMM only)	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	-
8	Other	-
9	**RWEA as at 31st December 2023**	**9,602**

The increase in RWEA under the IMM was due to increased derivative and SFT exposures for the Group over the quarter.

Market Risk

Template UK MR2-B – RWA flow statements of market risk exposures under the IMA for the Group

The table below shows a breakdown of RWA and Own Funds requirements under IMA for the Group as at 31st December 2023:

	$m	The Group						
		a	b	c	d	e	f	g
		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
1	**RWAs at 30th September 2023**	1,061	1,356	482	-	2,063	4,962	397
1a	*Regulatory adjustment[1]*	(708)	(960)	-	-	-	(1,668)	(133)
1b	*RWAs at 30th September 2023*	353	396	482	-	2,063	3,294	264
2	Movement in risk levels	81	177	(13)	-	(345)	(100)	(8)
3	Model updates/changes	1	-	-	-	-	1	-
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWAs at 31st December 2023*	435	573	469	-	1,718	3,195	256
8b	*Regulatory adjustment[2]*	588	900	21	-	-	1,509	120
8	**RWAs at 31st December 2023**	1,023	1,473	490	-	1,718	4,704	376

1. *Indicates the difference between reported RWA (based on VaR/SVaR as at the previous reporting date) and RWA (based on 60-day average) at the beginning end of the period.*
2. *Indicates the difference between reported RWA (based on 60-day average) and RWA (based on VaR/SVaR as at the current reporting date) at the end of the period.*

Own Funds requirements under the IMA for the Group have decreased over the quarter, driven by reduced Risk not in VaR and IRC add-on.

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Liquidity

Template UK LIQ1 – Quantitative information of LCR for the Group

The table below shows Quantitative information of LCR for the Group for the four quarters ending 31st December 2023:

	$m	a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					21,259	21,749	22,230	22,304
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	4,509	4,679	4,925	5,135	3,218	3,255	3,332	3,389
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	1,708	1,876	2,098	2,300	427	469	525	575
7	*Non-operational deposits (all counterparties)*	2,502	2,514	2,543	2,514	2,492	2,497	2,523	2,493
8	*Unsecured debt*	299	289	284	321	299	289	284	321
9	*Secured wholesale funding*					14,438	14,494	14,669	14,698
10	Additional requirements	9,685	9,546	9,222	8,896	5,733	5,689	5,540	5,363
11	*Outflows related to derivative exposures and other collateral requirements*	8,650	8,521	8,253	7,946	5,397	5,356	5,233	5,063
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	1,035	1,025	969	950	336	333	307	300
14	Other contractual funding obligations	7,501	8,001	8,034	7,855	7,392	7,894	7,922	7,738
15	Other contingent funding obligations	234	144	105	131	63	49	50	58
16	TOTAL CASH OUTFLOWS					30,844	31,381	31,513	31,246
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	221,343	229,216	230,096	229,218	16,647	17,138	17,391	17,276
18	Inflows from fully performing exposures	1,611	1,521	1,577	1,602	1,248	1,188	1,208	1,211
19	Other cash inflows	4,994	5,010	5,177	5,475	4,994	5,010	5,177	5,475
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	227,948	235,747	236,850	236,295	22,889	23,336	23,776	23,962
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	184,747	186,108	182,645	178,717	22,889	23,336	23,776	23,962
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					21,259	21,749	22,230	22,304
22	TOTAL NET CASH OUTFLOWS					8,030	8,111	8,050	7,951
23	LIQUIDITY COVERAGE RATIO					266.05%	268.92%	276.83%	281.67%

Note - Nomura Group's business model means that some sections of the disclosure are not required to be populated.

Main drivers of the LCR

The main drivers of the LCR are:

- The Liquidity Buffer mostly comprising of Level 1 high-quality liquid assets
- Net Cash Outflows over 30 days primarily made up of net secured, unsecured and derivative flows
- Cash Inflows are capped at a maximum of 75% of outflows

There has been no evolution of the contribution of inputs to the Group's LCR calculation over the last quarter.

Changes in the LCR over time

The Group's average LCR has remained relatively flat from 269% in September 2023 to 266% in December 2023.

Concentration of Funding and Liquidity Sources

In line with liquidity reporting requirements, the firm prepares Additional Liquidity Monitoring Metrics ("ALMM") templates designed to supplement the LCR, which provide a view on different aspects of concentration risk. The templates are formally submitted to the PRA on a monthly basis and facilitate internal concentration monitoring.

The Group also monitors and manages concentrations covering collateral type, counterparty, and tenor concentrations for secured and unsecured financing activities under its internal liquidity risk framework. In particular, refinancing risk for lower quality assets is monitored via counterparty and tenor limits.

Composition of the Liquidity Buffer

The liquidity buffer is comprised of highly liquid government securities held in the form of reverse repos and central bank deposits, which are under the control of the Treasury function. The composition of the liquidity buffer is appropriately managed both in terms of currency and concentration risks.

Derivative Exposures and Potential Collateral Calls

NIP is the main derivatives trading entity within the Group, executing numerous derivative products including FX, Interest Rate, Equity and Credit derivatives across all major business areas.

The Nomura Group runs a comprehensive range of liquidity specific stress tests capturing items under three core risk drivers:

- Ratings downgrade
- Counterparty behaviour
- Impact of adverse market shock

Currency Mismatch in the LCR

Currency LCR compliance is not a regulatory requirement. The Group manages currency mismatch via internal stress testing and controls short-dated FX rollover risk via a set of limits, EWIs and other trigger metrics as part of the Contingency Funding Plan (CFP).

As the main derivatives executing entity, the Group's currency LCR results are negatively impacted by the LCR inflow cap.

Other Relevant Items in the LCR Calculation that are not Captured in the LCR Disclosure Template

The PRA has applied a range of Pillar 2 fixed add-ons for liquidity risks not captured under LCR Pillar 1, including for example intraday risk and debt buybacks. These risks are modelled and fully incorporated into the Group's internal liquidity stress modelling.