



NOMURA

Nomura Europe Holdings plc

Quarterly Pillar 3 Disclosures

30 June 2018

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Foreword

Background

The Nomura Europe Holdings plc Group ("The Group") is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA. The regulatory consolidation is produced in accordance with the requirements established under the Capital Requirements Directive ("CRD") and the Capital Requirements Regulation ("CRR"), collectively referred to hereinafter as "CRD IV", which came into effect on 1st January 2014.

Scope of Application

This document presents the consolidated Pillar 3 disclosures as at 30th June 2018 for The Group and two subsidiaries, Nomura International Plc ("NIP") and Nomura Bank International Plc ("NBI") which are also regulated by the PRA and FCA.

NIP is the only material subsidiary of The Group, contributing over 95% of The Group's capital requirement; its risk management policies and procedures are consistent with The Group. Significant subsidiary disclosures have been made for NIP as applicable.

NBI has been included as it is a United Kingdom ("UK") regulated bank; however its Risk Weighted Assets ("RWA") is immaterial. Therefore NBI disclosures have been made for article 437 (Own Funds) with no other disclosures relevant to significant subsidiary requirements.

Other regulated subsidiaries included in The Group consolidation figures are Nomura Bank Luxembourg S.A. ("NBL"), Banque Nomura France S.A. ("BNF"), Nomura Alternative Investments Management Ltd ("NAIM"), Nomura Saudi Arabia ("NSA") and Nomura Bank Switzerland Ltd ("NBS").

Certain subsidiaries are subject to local Pillar 3 Regulatory requirements. However, owing to their inclusion and small size within The Group, separate disclosures have not been made for NBL, BNF, NAIM, NSA or NBS.

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 excludes certain special purpose entities which are included in the accounting consolidation. A small number of entities included in the accounting consolidation are also excluded from the regulatory consolidation on the basis of their immaterial balance sheet size. There is no material impact on the regulatory capital position of The Group due to the exclusion of these entities.

The regulatory scope of consolidation includes an additional entity, Nomura Capital Markets Ltd ("NCM"), which is not included in the accounting consolidation, in accordance with the direction of the PRA.

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 and NCM are 100% owned subsidiaries of Nomura Holdings Inc. ("NHI") (incorporated in Japan), the ultimate parent of The Group. NHI publishes separate Pillar III 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 to be published.

Key Metrics

	The Group
Capital (\$m)	
Tier 1 Capital	5,263
Tier 2 Capital	2,160
Capital Requirements (\$m)	
Total RWA	34,328
Total Capital Requirement ⁽¹⁾	3,893
Capital Ratios (%)	
Tier 1 ⁽²⁾	15.3%
Leverage Ratio	
Total Leverage Ratio Exposure (\$m)	177,032
Leverage Ratio (%)	3.0%

1. Pillar 1 + Pillar 2a requirements
2. Tier 1 Capital / Total RWA

Quantitative Disclosures

Own Funds

CRR Articles 437 and 492

The Group, NIP and NBI Own Funds:

ITS ⁽¹⁾	(\$m)	Jun-18		
		The Group	NIP	NBI
6	Common Equity Tier 1 ("CET1") before regulatory adjustments	5,395	5,045	480
28	Total Regulatory Adjustments to Common Equity Tier 1 ⁽²⁾	(132)	(155)	106
45	Tier 1 Capital	5,263	4,890	586
46	Tier 2 Capital	2,160	1,260	-
59	Total Capital	7,423	6,150	586
62	Tier 1 Ratio⁽³⁾	15.33%	14.56%	909.63%
63	Total Capital as a percentage of total risk exposure amounts	21.62%	18.32%	909.63%
64	Institution specific buffer requirement ⁽⁴⁾	2.03%	2.03%	2.41%
65	of which: Capital conservation buffer requirement	1.88%	1.88%	1.88%
66	of which: Countercyclical capital buffer requirement	0.15%	0.15%	0.53%
68	Common Equity Tier 1 available to meet buffers ⁽⁵⁾	6.83%	5.97%	902.46%

1. Implementing Technical Standards Regulations (EU) no. 1423/2013

2. Regulatory adjustments per CRR article 33 (1) (b), (c), article 105 and intangible asset deductions per article 37

3. Tier 1 capital ratio is equal to the CET1 ratio

4. Institution specific buffer requirement: capital conservation buffer plus countercyclical capital buffer requirements expressed as a percentage

5. Common Equity Tier 1 available to meet minimum Tier 1 total capital requirements (Pillar 1 + Pillar 2A) as there are no innovative Tier 1 instruments

There are no expected loss amounts. No restrictions have been applied to the calculation of Common Equity Tier 1 or the prudential filters to Common Equity Tier 1.

Tier 1 Capital consists of share capital and reserves.

Tier 2 Capital consists of subordinated debt.

Transitional Provisions

CRR Article 437 (a)

On adopting IFRS 9 on 1 April 2018 The Group now applies the Expected Credit Loss ("ECL") model which replaces the incurred loss model under IAS 39

\$(m)	The Group				
	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
Available Capital					
Common Equity Tier 1 (CET1) capital	5,263	5,294	5,342	5,450	5,276
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,261				
Tier 1 capital	5,263	5,294	5,342	5,450	5,276
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,261				
Total capital	7,423	7,454	7,502	7,610	7,436
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,421				
Risk Weighted Assets					
Total risk-weighted assets	34,328	36,378	39,250	38,644	38,599
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.3%	14.6%	13.6%	14.1%	13.7%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.3%				
Tier 1 (as a percentage of risk exposure amount)	15.3%	14.6%	13.6%	14.1%	13.7%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.3%				
Total capital (as a percentage of risk exposure amount)	21.6%	20.5%	19.1%	19.7%	19.3%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.6%				
Leverage Ratio					
Leverage ratio total exposure measure	177,032	180,157	183,801	187,893	190,194
Leverage ratio	3.0%	2.9%	2.9%	2.9%	2.8%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3.0%				

(\$m)	NIP				
	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
Available Capital					
Common Equity Tier 1 (CET1) capital	4,890	4,930	4,955	4,803	4,826
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,888				
Tier 1 capital	4,890	4,930	4,955	4,803	4,826
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,888				
Total capital	6,150	6,190	6,215	6,063	6,086
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,148				
Risk Weighted Assets					
Total risk-weighted assets	33,580	35,196	37,332	36,075	36,962
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.6%	14.0%	13.3%	13.3%	13.1%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.6%				
Tier 1 (as a percentage of risk exposure amount)	14.6%	14.0%	13.3%	13.3%	13.1%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.6%				
Total capital (as a percentage of risk exposure amount)	18.3%	17.6%	16.6%	16.8%	16.5%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.3%				
Leverage Ratio					
Leverage ratio total exposure measure	171,547	174,650	178,285	183,479	186,588
Leverage ratio	2.9%	2.8%	2.8%	2.6%	2.6%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2.9%				

Capital Requirements and Risk Weighted Exposure

CRR Article 438 (c), (e) and (f)

The Group and NIP RWA and capital requirements:

30 th June 2018 \$m	The Group		NIP	
	RWA	Minimum Requirement ⁽¹⁾	RWA	Minimum Requirement ⁽¹⁾
Total market risk capital requirement	6,071	486	6,058	485
Total counterparty risk and credit risk capital requirement	20,162	1,613	19,710	1,577
Total settlement risk capital requirement	27	2	27	2
Total operational risk capital requirement	3,402	272	2,751	220
Total credit valuation adjustment capital requirement	4,034	323	4,017	321
Total large exposure risk capital requirement	632	51	1,018	81
Total	34,328	2,747	33,580	2,686

1. The minimum capital requirement refers to the Pillar 1 capital requirement.

Internal Model RWA Movements

The below tables show the how RWAs under both the Internal Model Method ("IMM") and Internal Model Approach ("IMA") have moved over the period (Mar-18 to Jun-18).

IMM

\$m	The Group	
	RWA amounts	Minimum Requirement ⁽¹⁾
RWA as at Mar-18	9,798	785
Asset size	(1,047)	(85)
Credit quality of counterparties ("CQS")	(72)	(6)
Model updates	(26)	(2)
RWA as at Jun-18	8,653	692

1. The minimum capital requirement refers to the Pillar 1 capital requirement.

Reduction in RWA over the period is primarily driven by maturing of FX derivatives and reduced business activity. The model update during the quarter related to the incorporation of FX volatility term structure. The change in CQS is driven by improved ratings to a handful of counterparties.

IMA

\$m	The Group					Minimum Requirement ⁽¹⁾
	VaR	SVaR	IRC	Other	Total RWA	
RWA as at Mar-18	1,038	2,108	566	1,528	5,239	419
Movement in Risk Levels	96	(239)	(51)	(535)	(710)	(58)
Model Updates/Changes	(103)	(20)	-	-	(122)	(10)
RWA as at Jun-18	1,031	1,849	515	993	4,388	351

1. The minimum capital requirement refers to the Pillar 1 capital requirement.

\$m	NIP				Total RWA	Minimum Requirement ⁽¹⁾
	VaR	SVaR	IRC	Other		
RWA as at Mar-18	970	1,808	547	1,528	4,853	388
Movement in Risk Levels	163	58	(39)	(535)	(353)	(28)
Model Updates/Changes	(103)	(20)	0	-	(122)	(10)
RWA as at Jun-18	1,030	1,846	509	993	4,378	350

1. The minimum capital requirement refers to the Pillar 1 capital requirement.

Reduction in NEHS SVaR driven by reduced risk in NCM reflected in 60-day average.

Reduction in RNIV, driven by Time Zone Add-On (across Rates and FX dimensions) and Capital Buffer (NIP SVaR window became more aligned with NHI)

Leverage Ratio

CRR Article 451

30th June 2018

\$m	The Group	NIP
Total Leverage Ratio Exposure	177,032	171,547
Tier 1 Capital	5,263	4,890
Leverage Ratio	3.0%	2.9%

Management of exposure to leverage forms a key part of the Group's overall strategy, business planning and risk appetite framework.