Nomura Europe Holdings plc

Quarterly Pillar 3 Disclosures
30 June 2021

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NOMURA

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 the 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 2021 for the Group as well as disclosures covering three material subsidiaries where required, Nomura International Plc ("NIP"), Nomura Bank International Plc ("NBI") and Nomura Financial Products Europe GmbH ("NFPE")

The Group, NIP and NBI are regulated by the PRA and FCA whereas NFPE is regulated by the BaFin.

NIP contributes over 95% of the Group's capital requirement and its risk management policies and procedures are consistent with the Group. Significant subsidiary disclosures have been made for NIP as applicable.

NBI is a United Kingdom ("UK") regulated bank but its Risk Weighted Assets ("RWA") are immaterial to the Group. Therefore NBI disclosures have been made for article 437 (Own Funds) with no other disclosures relevant to significant subsidiary requirements.

NFPE's RWA's are also immaterial to the Group. Therefore NFPE disclosures have also 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 Investment Management France S.A.S ("NAIME") 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 quarterly disclosures have not been made for NBL, BNF, NAIME 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 under UK GAAP. 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.

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 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 ($m)	
Tier 1 Capital	5,708
Tier 2 Capital	2,160
Capital Requirements ($m)	
Total RWA	33,544
Total Capital Requirement (1)	4,083
Capital Ratios (%)	
Tier 1(2)	17.02%
Leverage Ratio	
Total Leverage Ratio Exposure ($m)	161,959
Leverage Ratio (%)	3.5%

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

Quantitative Disclosures

Own Funds

CRR Articles 437 and 492

The Group, NIP, NBI and NFPE Own Funds:

		Jun-21			
ITS[1]	**($m)**	**The Group**	**NIP**	**NBI**	**NFPE[6]**
6	Common Equity Tier 1 ("CET1") before regulatory adjustments	**5,808**	**5,495**	**165**	**714**
28	Total Regulatory Adjustments to Common Equity Tier 1[2]	**(101)**	**(171)**	**102**	**(2)**
45	**Tier 1 Capital**	**5,708**	**5,324**	**267**	**712**
46	**Tier 2 Capital**	2,160	1,260	-	219
59	**Total Capital**	**7,868**	**6,584**	**267**	**931**
62	**Tier 1 Ratio**[3]	**17.02%**	**16.40%**	**317.46%**	**39.16%**
63	**Total Capital as a percentage of total risk exposure amounts**	23.45%	20.28%	317.46%	51.23%
64	Institution specific buffer requirement[4]	2.56%	2.55%	2.50%	2.53%
65	of which: Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
66	of which: Countercyclical capital buffer requirement	0.06%	0.05%	0.00%	0.03%
68	Common Equity Tier 1 available to meet buffers[5]	7.89%	7.04%	309.46%	30.16%

1. *Implementing Technical Standards Regulations (EU) no. 1423/2013*
2. *Regulatory adjustments per CRR article 33 (1) (b), (c), article 36 (1) (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*
6. *NFPE reports in Euros and was converted to dollars at a rate of 0.843*

No restrictions have been applied to the calculation of Common Equity Tier 1 or the prudential filters to Common Equity Tier 1 ("CET1"). The Group is applying transitional provisions of IFRS 9 to Own Funds.

Tier 1 Capital consists of share capital and reserves.

Tier 2 Capital consists of subordinated debt.

Transitional Provisions

CRR Article 473a

Following adoption of 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. 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 1 January 2020 (deemed to be as a result of COVID-19) with the relief factor reducing to 25% by 2025. Prior to January 2020, the ECL relief factor currently stands at 70% which will phase out to 25% by 2023.

	NEHS				
$(m)	**Jun-21**	**Mar-21**	**Dec-20**	**Sep-20**	**Jun-20**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,708	5,710	5,374	5,358	5,363
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,705	5,707	5,370	5,345	5,349
Tier 1 capital	5,708	5,710	5,374	5,358	5,363
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,705	5,707	5,370	5,345	5,349
Total capital	7,868	7,870	7,534	7,518	7,523
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	7,865	7,867	7,530	7,505	7,509
Risk Weighted Assets					
Total risk-weighted assets	33,544	33,287	33,853	30,625	32,811
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.0%	17.2%	15.9%	17.5%	16.3%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.0%	17.1%	15.9%	17.5%	16.3%
Tier 1 (as a percentage of risk exposure amount)	17.0%	17.2%	15.9%	17.5%	16.3%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.0%	17.1%	15.9%	17.5%	16.3%
Total capital (as a percentage of risk exposure amount)	23.5%	23.6%	22.3%	24.5%	22.9%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	23.4%	23.6%	22.2%	24.5%	22.9%
Leverage Ratio					
Leverage ratio total exposure measure	161,959	154,099	168,800	163,988	155,549
Leverage ratio	3.5%	3.7%	3.2%	3.3%	3.4%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	3.5%	3.7%	3.2%	3.3%	3.4%

	NIP				
$(m)	**Jun-21**	**Mar-21**	**Dec-20**	**Sep-20**	**Jun-20**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,324	5,349	5,067	5,141	5,210
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,321	5,345	5,063	5,128	5,197
Tier 1 capital	5,324	5,349	5,067	5,141	5,210
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,321	5,345	5,063	5,128	5,197
Total capital	6,584	6,609	6,327	6,401	6,470
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	6,581	6,605	6,323	6,388	6,457
Risk Weighted Assets					
Total risk-weighted assets	32,469	31,687	32,840	29,602	31,726
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	16.4%	16.9%	15.4%	17.4%	16.4%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	16.4%	16.9%	15.4%	17.3%	16.4%
Tier 1 (as a percentage of risk exposure amount)	16.4%	16.9%	15.4%	17.4%	16.4%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	16.4%	16.9%	15.4%	17.3%	16.4%
Total capital (as a percentage of risk exposure amount)	20.3%	20.9%	19.3%	21.6%	20.4%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	20.3%	20.8%	19.3%	21.6%	20.4%
Leverage Ratio					
Leverage ratio total exposure measure	154,523	148,038	164,248	159,081	150,187
Leverage ratio	3.4%	3.6%	3.1%	3.2%	3.5%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	3.4%	3.6%	3.1%	3.2%	3.5%

Capital Requirements and Risk Weighted Exposure

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

The Group and NIP RWA and capital requirements:

As at Jun-21 $m	The Group RWA	The Group Minimum Requirement[1]	NIP RWA	NIP Minimum Requirement[1]
Total market risk capital requirement	6,337	507	6,120	490
Total counterparty risk and credit risk capital requirement	20,349	1,628	19,777	1,582
Total settlement risk capital requirement	36	3	36	3
Total operational risk capital requirement	3,214	257	3,041	243
Total credit valuation adjustment capital requirement	3,608	289	3,495	280
Total large exposure risk capital requirement	-	-	-	-
Total	**33,544**	**2,684**	**32,469**	**2,598**

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-21 to Jun-21). NIP is materially in line with the Group for both IMM and IMA.

IMM

$m	The Group RWA amounts	The Group Minimum Requirement[1]
RWA as at Mar-21	**8,812**	**705**
Asset size	182	15
Credit quality of counterparties ("CQS")	(16)	(1)
Other	226	17
RWA as at Jun-21	**9,204**	**736**

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

Change in RWA is predominantly due to changes in the composition of the portfolio during the quarter.

IMA

The table shows a breakdown of the changes in IMA market risk RWA between April 2021 and June 2021

$m	The Group VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Capital Requirements[1]
RWA at Mar-21	**568**	**1,089**	**320**	**0**	**2,504**	**4,481**	**358**
Movement in risk levels	(115)	202	(78)		15	24	2
Model updates/changes	1	2				3	1
RWA at Jun-21	**454**	**1,293**	**242**	**0**	**2,519**	**4,508**	**361**

$m	NIP						
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Capital Requirements[1]
RWA at Mar-21	**533**	**1,028**	**319**	**0**	**2,392**	**4,272**	**342**
Movement in risk levels	(115)	207	(78)		4	18	1
Model updates/changes	1	2				3	0
RWA at Jun-21	**419**	**1,237**	**241**	**0**	**2,396**	**4,293**	**343**

1. Pillar 1 capital requirement. *The Group Capital Requirement is calculated by aggregating the requirements for the individual entities. This includes the capital requirement for NFPE.*

Movements in the Group's RWA under IMA

- Decrease in VaR was mainly due to decrease in market volatility (in last six months) and reduction in short TWD FX delta.
- Increase in SVaR was mainly due to changes in risk positions- reduction in long GBP rates delta(from EMEA FX Forwards and Swaps); and increase in short INR Xccy swaps delta in AeJ FX;
- Decrease in IRC was mainly due to reduction on Korea and Italy sovereign exposures.

Leverage Ratio

CRR Article 451

As at Jun-21 **$m**	The Group	NIP
Total Leverage Ratio Exposure	161,959	154,523
Tier 1 Capital	5,705	5,321
Leverage Ratio	**3.5%**	**3.4%**

Management of exposure to leverage forms a key part of the Group's overall strategy and business plan.