Nomura Europe Holdings plc Group

Quarterly Pillar 3 Disclosures
30th June 2023

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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 at 30th June 2023 are prepared on the basis of the consolidated situation of the Group. In addition, Nomura International plc ("NIP") is reported as a large non-listed subsidiary within the Group. NIP is authorised by the PRA and regulated by the PRA and the Financial Conduct Authority ("FCA").

Other regulated subsidiaries included in the Group are Nomura Bank International plc ("NBI"), Nomura Financial Products Europe GmbH ("NFPE"), Nomura Bank Luxembourg S.A.("NBL"), Banque Nomura France S.A. ("BNF"), Nomura Alternative Investment Management France S.A.S and Nomura Bank Switzerland Ltd. They are not considered to be large subsidiaries as at 30th June 2023 and are therefore not disclosed in this document.

NBL discloses its Pillar 3 disclosure separately in accordance with its local regulatory requirements which can be found here. NBL disclosures have not been included in this document.

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 NEHS Audit Committee before being made publically available.

In addition to the qualitative disclosures in this document further details applicable to the Group as required under Pillar 3 are considered and made within NIP's Annual Reports, the NHI Quarterly Basel III Pillar 3 disclosures and NHI Securities and Exchange Commission 20F Filings.

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

Disclosures

Template UK KM1 – Key metrics template for the Group

The below table shows the key metrics for the Group[1] as at 30th June 2023:

	$m	The Group				
		a	b	c	d	e
		Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	5,567	5,573	5,456	5,448	5,403
2	Tier 1 capital	5,567	5,573	5,456	5,448	5,403
3	Total capital	7,727	7,733	7,616	7,608	7,563
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	33,116	31,321	31,747	29,877	31,742
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16.81%	17.78%	17.18%	18.24%	17.02%
6	Tier 1 ratio (%)	16.81%	17.78%	17.18%	18.24%	17.02%
7	Total capital ratio (%)	23.33%	24.66%	23.99%	25.47%	23.83%
	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 (%)	0.35%	0.30%	0.27%	0.08%	0.06%
UK 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	2.85%	2.80%	2.77%	2.58%	2.56%
UK 11a	Overall capital requirements (%)	15.06%	15.01%	14.98%	14.79%	14.77%
12	CET1 available after meeting the total SREP own funds requirements (%)	7.65%	8.64%	8.03%	9.08%	7.87%
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	128,339	129,590	137,768	129,979	125,479
14	Leverage ratio excluding claims on central banks (%)	4.34%	4.30%	3.96%	4.19%	4.31%
	Additional leverage ratio disclosure requirements[1]					
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.34%	4.30%			
UK 14b	Leverage ratio including claims on central banks (%)	4.16%	4.17%			
UK 14c	Average leverage ratio excluding claims on central banks (%)	4.21%	4.12%			
14d	Average leverage ratio including claims on central banks (%)	4.08%	4.00%			
14e	Countercyclical leverage ratio buffer (%)	0.10%	0.10%			
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	22,230	22,485	22,436	22,559	22,557
UK 16a	Cash outflows - Total weighted value	31,513	31,657	32,220	33,152	34,666
UK 16b	Cash inflows - Total weighted value	23,776	24,581	25,449	26,190	27,375
16	Total net cash outflows (adjusted value)	8,050	7,962	8,059	8,292	8,670
17	Liquidity coverage ratio (%)	276.83%	283.42%	280.25%	274.33%	261.92%
	Net Stable Funding Ratio					
18	Total available stable funding	29,121	28,948			
19	Total required stable funding	19,287	18,716			
20	NSFR ratio (%)	151.25%	154.67%			

1. *The Group is required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 30th June 2023, the Group is in compliance with the PRA capital requirements.*

Tier 1 ratio decreased by 1.0% during the quarter primarily driven by an increase in RWAs.

Leverage ratio remained at 4.30%.

Liquidity Coverage ratio slightly decreased driven by lower business utilisation of liquidity resources

Net Stable Funding ratio slightly decreased but remained above regulatory minimums.

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

The below shows RWEAs and own funds requirements for the Group as at 30th June 2023:

		The Group		
	$m	Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		Jun-23	Mar-23	Jun-23
1	**Credit risk (excluding CCR)**	**3,354**	**3,110**	**268**
2	Of which the standardised approach	3,354	3,110	268
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
UK 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**20,546**	**19,557**	**1,644**
7	Of which the standardised approach	5,428	4,521	434
8	Of which internal model method (IMM)	7,789	7,674	623
UK 8a	Of which exposures to a CCP	241	161	19
UK 8b	Of which credit valuation adjustment - CVA	3,332	3,076	267
9	Of which other CCR	3,756	4,125	301
15	**Settlement risk**	**55**	**49**	**4**
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)**	**5,957**	**5,385**	**476**
21	Of which the standardised approach	1,331	1,180	106
22	Of which IMA	4,626	4,205	370
UK 22a	**Large exposures**	**0**	**0**	**0**
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**	**33,116**	**31,321**	**2,648**

The Group's RWEAs increased during the quarter primarily driven by an increase in derivative positions.

Transitional Provisions

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.

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 Group				
$m	**Jun-23**	**Mar-23**	**Dec-22**	**Sep-22**	**Jun-22**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,567	5,573	5,456	5,448	5,403
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,567	5,572	5,454	5,447	5,402
Tier 1 capital	5,567	5,573	5,456	5,448	5,403
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,567	5,572	5,454	5,447	5,402
Total capital	7,727	7,733	7,616	7,608	7,563
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	7,727	7,732	7,614	7,607	7,562
Risk-Weighted Assets					
Total risk-weighted assets	33,116	31,321	31,747	29,877	31,742
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	16.81%	17.79%	17.18%	18.24%	17.02%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	16.81%	17.79%	17.18%	18.23%	17.02%
Tier 1 (as a percentage of risk exposure amount)	16.81%	17.79%	17.18%	18.24%	17.02%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	16.81%	17.79%	17.18%	18.23%	17.02%
Total capital (as a percentage of risk exposure amount)	23.33%	24.69%	23.99%	25.47%	23.83%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	23.33%	24.69%	23.98%	25.46%	23.82%
Leverage Ratio					
Leverage ratio total exposure measure	128,339	129,590	137,768	129,979	125,479
Leverage ratio	4.34%	4.30%	3.96%	4.19%	4.31%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	4.34%	4.30%	3.96%	4.19%	4.31%

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

The table below shows how the RWEA under IMM have changed for the Group between 31st March 2023 and 30th June 2023:

	$m	The Group
		a
		RWEA
1	**RWEA as at 31st March 2023**	**7,674**
2	Asset size	128
3	Credit quality of counterparties	(13)
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 30th June 2023**	**7,789**

The increase in RWEAs for the Group was due to increased usage across the portfolio during the quarter.

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

The table below shows how the RWAs under IMA Market Risk have changed for the Group between 31st March 2023 and 30th June 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]
1	**RWAs as at 31st March 2023**	1,193	1,335	330	-	1,347	4,205	336
1a	*Regulatory adjustment[1]*	(719)	(793)	-	-	0	(1,512)	(121)
1b	*RWAs 30th September 2022*	474	542	330	-	1,347	2,693	215
2	Movement in risk levels	(150)	7	50	-	74	(19)	(1)
3	Model updates/changes	(17)	2	0	-	-	(15)	(1)
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWAs at 31st December 2022*	307	551	380	-	1,421	2,659	213
8b	*Regulatory adjustment[2]*	800	1,167	-	-	0	1,967	157
8	**RWAs as at 30th June 2023**	1,107	1,718	380	-	1,421	4,626	370

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

The increase in own funds requirements is driven by an increase in SVaR, primarily due to increased FX risk along with less diversification across businesses, and an increase in Risk Not in VaR.

Template UK LIQ1 – Quantitative information of LCR for the Group

	$m	a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYY)	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-23	31-Mar-23	31-Dec-22	30-Jun-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)					22,230	22,304	22,485	22,436
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	4,925	5,135	5,356	5,399	3,332	3,389	3,522	3,529
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	2,098	2,300	2,423	2,477	525	575	606	619
7	*Non-operational deposits (all counterparties)*	2,543	2,514	2,589	2,543	2,523	2,493	2,572	2,531
8	*Unsecured debt*	284	321	344	379	284	321	344	379
9	*Secured wholesale funding*					14,669	14,698	14,807	15,257
10	Additional requirements	9,222	8,896	8,595	8,171	5,540	5,363	5,210	4,987
11	*Outflows related to derivative exposures and other collateral requirements*	8,253	7,946	7,646	7,177	5,233	5,063	4,900	4,649
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	969	950	949	994	307	300	310	338
14	Other contractual funding obligations	8,034	7,855	8,174	8,500	7,922	7,738	8,053	8,372
15	Other contingent funding obligations	105	131	159	197	50	58	65	75
16	TOTAL CASH OUTFLOWS					31,513	31,246	31,657	32,220
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	230,096	229,218	229,184	229,596	17,391	17,276	17,322	17,458
18	Inflows from fully performing exposures	1,577	1,602	1,601	1,573	1,208	1,211	1,211	1,185
19	Other cash inflows	5,177	5,475	6,048	6,806	5,177	5,475	6,048	6,806
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	236,850	236,295	236,833	237,975	23,776	23,962	24,581	25,449
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	182,645	178,717	177,778	179,453	23,776	23,962	24,581	25,449
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					22,230	22,304	22,485	22,436
22	TOTAL NET CASH OUTFLOWS					8,050	7,951	7,962	8,059
23	LIQUIDITY COVERAGE RATIO					276.83%	281.67%	283.42%	280.25%

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

Main drivers of the Liquidity Coverage Ratio ("LCR")

The main drivers of the LCR are:

- The Liquidity Buffer which is primarily Level 1 high-quality liquid assets
- Net Cash Outflows over 30 days is 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 LCR's calculation over the last quarter.

Changes in the LCR over time

The average LCR reduced from 282% in March 2023 to 277% in June 2023.

Due to the recent market environment we have observed lower business utilisation of liquidity resources.

Concentration of Funding and Liquidity Sources

In line with liquidity reporting requirements, the firm prepares Additional Liquidity Monitoring Metrics ("ALMM") templates designed to supplement 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 concentrations covering collateral type, counterparty, and tenor concentrations for secured financing activities under its internal liquidity risk framework. In particular, refinancing risk is monitored via counterparty and tenor concentrations, limit monitoring for peripheral country repo financing as well as the monitoring of currency funding risk via rollover risk concentration.

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 fall 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 products, 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 by internal stress testing (Maximum Cumulative Outflow or "MCO") and monitors and controls short-dated FX rollover risk via a set of limits, EWIs and other trigger metrics as part of the Contingency Funding Planning.

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 the LCR Pillar 1 model, including for example intraday risk and debt buybacks. These risks are modelled and fully incorporated in the MCO.