

The logo features a stylized 'N' composed of several overlapping triangles in various shades of red and pink, set against a solid red background.

NOMURA

Nomura Europe Holdings plc

Quarterly Pillar 3 Disclosures
31 December 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 31st December 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 is included as it is a United Kingdom ("UK") regulated bank; however its Risk Weighted Assets ("RWA") is immaterial. 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"), Nomura Bank Switzerland Ltd ("NBS") and Nomura Financial Products Europe ("NFPE").

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, NBS or NFPE.

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	5,162
Tier 2 Capital	2,160
Capital Requirements (\$m)	
Total RWA	33,080
Total Capital Requirement ⁽¹⁾	3,658
Capital Ratios (%)	
Tier 1 ⁽²⁾	15.6%
Leverage Ratio	
Total Leverage Ratio Exposure (\$m)	168,374
Leverage Ratio (%)	3.1%

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)	Dec-18		
		The Group	NIP	NBI
6	Common Equity Tier 1 ("CET1") before regulatory adjustments	5,379	4,984	525
28	Total Regulatory Adjustments to Common Equity Tier 1 ⁽²⁾	(217)	(190)	62
45	Tier 1 Capital	5,162	4,794	587
46	Tier 2 Capital	2,160	1,260	-
59	Total Capital	7,322	6,054	587
62	Tier 1 Ratio⁽³⁾	15.60%	14.83%	954.80%
63	Total Capital as a percentage of total risk exposure amounts	22.13%	18.73%	954.80%
64	Institution specific buffer requirement ⁽⁴⁾	2.06%	2.07%	2.86%
65	of which: Capital conservation buffer requirement	1.88%	1.88%	1.88%
66	of which: Countercyclical capital buffer requirement	0.18%	0.19%	0.98%
68	Common Equity Tier 1 available to meet buffers ⁽⁵⁾	7.31%	6.46%	947.63%

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

6. 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				
	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Available Capital					
Common Equity Tier 1 (CET1) capital	5,162	5,224	5,263	5,294	5,342
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,158	5,221	5,261		
Tier 1 capital	5,162	5,224	5,263	5,294	5,342
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,158	5,221	5,261		
Total capital	7,322	7,384	7,423	7,454	7,502
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,318	7,381	7,421		
Risk Weighted Assets					
Total risk-weighted assets	33,080	35,241	34,328	36,378	39,250
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.6%	14.8%	15.3%	14.6%	13.6%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.6%	14.8%	15.3%		
Tier 1 (as a percentage of risk exposure amount)	15.6%	14.8%	15.3%	14.6%	13.6%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.6%	14.8%	15.3%		
Total capital (as a percentage of risk exposure amount)	22.1%	21.0%	21.6%	20.5%	19.1%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22.1%	20.9%	21.6%		
Leverage Ratio					
Leverage ratio total exposure measure	168,374	180,427	177,032	180,157	183,801
Leverage ratio	3.1%	2.9%	3.0%	2.9%	2.9%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3.1%	2.9%	3.0%		

(\$m)	NIP				
	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17
Available Capital					
Common Equity Tier 1 (CET1) capital	4,794	4,859	4,890	4,930	4,955
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,790	4,856	4,888		
Tier 1 capital	4,794	4,859	4,890	4,930	4,955
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,790	4,856	4,888		
Total capital	6,054	6,119	6,150	6,190	6,215
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,050	6,116	6,148		
Risk Weighted Assets					
Total risk-weighted assets	32,322	34,393	33,580	35,196	37,332
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.8%	14.1%	14.6%	14.0%	13.3%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.8%	14.1%	14.6%		
Tier 1 (as a percentage of risk exposure amount)	14.8%	14.1%	14.6%	14.0%	13.3%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.8%	14.1%	14.6%		
Total capital (as a percentage of risk exposure amount)	18.7%	17.8%	18.3%	17.6%	16.6%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.7%	17.8%	18.3%		
Leverage Ratio					
Leverage ratio total exposure measure	163,766	175,192	171,547	174,650	178,285
Leverage ratio	2.9%	2.8%	2.9%	2.8%	2.8%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2.9%	2.8%	2.9%		

Capital Requirements and Risk Weighted Exposure

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

The Group and NIP RWA and capital requirements:

As at Dec-18 \$m	The Group		NIP	
	RWA	Minimum Requirement ⁽¹⁾	RWA	Minimum Requirement ⁽¹⁾
Total market risk capital requirement	6,658	533	6,654	532
Total counterparty risk and credit risk capital requirement	18,752	1,499	18,376	1,471
Total settlement risk capital requirement	226	18	226	18
Total operational risk capital requirement	3,402	272	2,751	220
Total credit valuation adjustment capital requirement	2,782	223	2,766	221
Total large exposure risk capital requirement	1,260	101	1,549	125
Total	33,080	2,646	32,322	2,586

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

Internal Model RWA Movements

The below tables show how RWAs under both the Internal Model Method ("IMM") and Internal Model Approach ("IMA") have moved over the period (Sep-18 to Dec-18). NIP is materially in line with The Group for both IMM and IMA.

IMM

\$m	The Group	
	RWA amounts	Minimum Requirement ⁽¹⁾
RWA as at Sep-18	8,548	684
Asset size	(802)	(63)
Credit quality of counterparties ("CQS")	32	3
Model updates	(275)	(22)
RWA as at Dec-18	7,503	600

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

Reduction in RWA over the period is primarily driven by IMM model updates relating to cross asset correlation and changes in portfolio size.

IMA

\$m	The Group					Minimum Requirement ⁽¹⁾
	VaR	SVaR	IRC	Other	Total RWA	
RWA as at Sep-18	1,010	2,229	509	903	4,651	372
Movement in Risk Levels	12	(485)	(122)	(157)	(753)	(60)
Model Updates/Changes	(61)	(202)	0	1,245	983	78
RWA as at Dec-18	961	1542	387	1,991	4,881	390

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

The increase in 'Other' is primarily driven by the inclusion of a new buffer within Risk Not in VaR (RNIV).

Leverage Ratio

CRR Article 451

As at Dec-18
\$m

	The Group	NIP
Total Leverage Ratio Exposure	168,374	163,766
Tier 1 Capital	5,162	4,794
Leverage Ratio	3.1%	2.9%

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