Nomura Europe Holdings plc

Quarterly Pillar 3 Disclosures
31 December 2019

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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 2019 for the Group as well as disclosures covering three material subsidiaries where required, Nomura International Plc, Nomura Bank International Plc and Nomura Financial Products Europe GmbH.

The Group, Nomura International Plc ("NIP") and Nomura Bank International Plc ("NBI") are regulated by the PRA and FCA whereas Nomura Financial Products Europe GmbH ("NFPE") is regulated by 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 Risk Weighted Assets ("RWA") 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 (Europe) Ltd ("NAIM"), Nomura Alternative Investment Management France S.A.S ("NAIME"), 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.

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 ($m)	
Tier 1 Capital	5,329
Tier 2 Capital	2,160
Capital Requirements ($m)	
Total RWA	34,819
Total Capital Requirement (1)	4,217
Capital Ratios (%)	
Tier 1(2)	15.3%
Leverage Ratio	
Total Leverage Ratio Exposure ($m)	173,120
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, NBI and NFPE Own Funds:

		Dec-19			
ITS[1] ($m)		The Group	NIP	NBI	NFPE[6]
6	Common Equity Tier 1 ("CET1") before regulatory adjustments	5,577	5,318	205	579
28	Total Regulatory Adjustments to Common Equity Tier 1[2]	(248)	(239)	81	(14)
45	**Tier 1 Capital**	**5,329**	**5,079**	**286**	**565**
46	**Tier 2 Capital**	**2,160**	**1,260**	**-**	**-**
59	**Total Capital**	**7,489**	**6,339**	**286**	**565**
62	**Tier 1 Ratio**[3]	**15.3%**	**14.9%**	**353.6%**	**92.7%**
63	**Total Capital as a percentage of total risk exposure amounts**	**21.5%**	**18.6%**	**353.6%**	**92.7%**
64	Institution specific buffer requirement[4]	2.8%	2.8%	3.5%	2.5%
65	of which: Capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
66	of which: Countercyclical capital buffer requirement	0.3%	0.3%	1.0%	0.0%
68	Common Equity Tier 1 available to meet buffers[5]	6.7%	6.1%	348.9%	84.2%

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 0.8903*

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 473a

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. The table provides a comparison of own funds, capital and leverage ratios with and without the application of transitional arrangements for IFRS 9.

The Group has adopted the transitional arrangements prescribed in CRR article 473a for IFRS 9 Financial Instruments which permit institutions to add back to their capital base a proportion of the impact that IFRS 9 has upon their expected credit loss allowances during the first five years of use. The proportion that institutions may add back started at 95% from April 2018 and reduces to 25% by March 2023.

	The Group				
$(m)	**Dec-19**	**Sep-19**	**Jun-19**	**Mar-19**	**Dec-18**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,329	5,079	4,945	4,971	5,162
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,324	5,076	4,943	4,967	5,158
Tier 1 capital	5,329	5,079	4,945	4,971	5,162
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,324	5,076	4,943	4,967	5,158
Total capital	7,489	7,239	7,105	7,131	7,322
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7,484	7,236	7,103	7,127	7,318
Risk Weighted Assets					
Total risk-weighted assets	34,819	34,893	35,830	34,166	33,080
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.3%	14.6%	13.8%	14.5%	15.6%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.3%	14.5%	13.8%	14.5%	15.6%
Tier 1 (as a percentage of risk exposure amount)	15.3%	14.6%	13.8%	14.5%	15.6%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.3%	14.5%	13.8%	14.5%	15.6%
Total capital (as a percentage of risk exposure amount)	21.5%	20.7%	19.8%	20.9%	22.1%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.5%	20.7%	19.8%	20.9%	22.1%
Leverage Ratio					
Leverage ratio total exposure measure	173,120	165,303	167,621	171,746	168,374
Leverage ratio	3.1%	3.1%	3.0%	2.9%	3.1%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3.1%	3.1%	2.9%	2.9%	3.1%

	NIP				
$(m)	**Dec-19**	**Sep-19**	**Jun-19**	**Mar-19**	**Dec-18**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,079	4,825	4,575	4,599	4,794
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,074	4,821	4,573	4,596	4,790
Tier 1 capital	5,079	4,825	4,575	4,599	4,794
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5,074	4,821	4,573	4,596	4,790
Total capital	6,339	6,085	5,835	5,859	6,054
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6,334	6,081	5,833	5,856	6,050
Risk Weighted Assets					
Total risk-weighted assets	34,018	34,032	35,051	34,105	32,322
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.9%	14.2%	13.1%	13.5%	14.8%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.9%	14.2%	13.0%	13.5%	14.8%
Tier 1 (as a percentage of risk exposure amount)	14.9%	14.2%	13.1%	13.5%	14.8%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.9%	14.2%	13.0%	13.5%	14.8%
Total capital (as a percentage of risk exposure amount)	18.6%	17.9%	16.6%	17.2%	18.7%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18.6%	17.9%	16.6%	17.2%	18.7%
Leverage Ratio					
Leverage ratio total exposure measure	166,948	159,530	161,982	166,257	163,766
Leverage ratio	3.0%	3.0%	2.8%	2.8%	2.9%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3.0%	3.0%	2.8%	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:

	The Group		NIP	
As at Dec-19 **$m**	**RWA**	**Minimum Requirement[1]**	**RWA**	**Minimum Requirement[1]**
Total market risk capital requirement	9,200	736	9,151	732
Total counterparty risk and credit risk capital requirement	20,689	1,654	20,266	1,621
Total settlement risk capital requirement	28	2	28	2
Total operational risk capital requirement	3,269	262	2,964	237
Total credit valuation adjustment capital requirement	1,633	131	1,609	129
Total large exposure risk capital requirement	-	-	-	-
Total	**34,819**	**2,785**	**34,018**	**2,721**

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 (Sep-19 to Dec-19). NIP is materially in line with The Group for both IMM and IMA.

IMM

	The Group	
$m	**RWA amounts**	**Minimum Requirement[1]**
RWA as at Sep-19	**8,772**	**702**
Asset size	272	21
Model updates	-	-
Credit quality of counterparties ("CQS")	(28)	(2)
RWA as at Dec-19	**9,016**	**721**

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. The change in CQS is driven by change in the ratings of a small number of counterparties.

IMA

	The Group						
$m	**VaR**	**SVaR**	**IRC**	**Comprehensive risk measure**	**Other (RNIV)**	**Total RWA**	**Capital Requirements[1]**
RWA at Sep-19	**1,410**	**2,346**	**421**	**-**	**4,319**	**8,496**	**680**
Movement in risk levels	**273**	**(499)**	**(58)**	**10**	**(703)**	**(977)**	**(79)**
Model updates/changes	**(28)**	**157**	**-**	**-**	**(355)**	**(226)**	**(18)**
Multiplier update	(62)	(75)	-	-	(122)	-	-
VaR window change	34	232	-	-	(233)	-	-
Other (NFPE)	**8**	**20**	**2**	**-**	**16**	**46**	**4**
RWA at Dec-19	**1,663**	**2,024**	**365**	**10**	**3,277**	**7,339**	**587**

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

The decrease in “Other”, which consists of Risks Not In VaR (“RNIV”), was driven by:
i) $56m from risk level changes - $30m decrease in Counter cyclical buffer (absolute versus relative Credit Spread shocks) and $27m decrease in Capital buffer (optimal versus NHI SVaR window)
ii) $19m from decommissioning of Capital buffer add-on as the optimal window is now used in SVaR
iii) $10m due to multiplier update from 4 to 3.85

The multiplier update from 4 to 3.85 also partly reduced the capital requirement for VaR and SVaR by $5m and $6m respectively.

NFPE capital numbers are included in the NEHS. These are reflected in the row ‘Other’ in the table for NEHS (‘The Group’) above.

Leverage Ratio

CRR Article 451

As at Dec-19 **$m**	**The Group**	**NIP**
Total Leverage Ratio Exposure	173,120	166,948
Tier 1 Capital	5,329	5,079
Leverage Ratio	**3.1%**	**3.0%**

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