Nomura Europe Holdings plc

Quarterly Pillar 3 Disclosures
31 December 2020

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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 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 31st December 2020 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"), 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 quarterly disclosures have not been made for NBL, BNF, NAIME, 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 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 ($m)	
Tier 1 Capital	5,374
Tier 2 Capital	2,160
Capital Requirements ($m)	
Total RWA	33,853
Total Capital Requirement (1)	4,108
Capital Ratios (%)	
Tier 1(2)	15.87%
Leverage Ratio	
Total Leverage Ratio Exposure ($m)	168,800
Leverage Ratio (%)	3.2%

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-20			
ITS[1]	($m)	The Group	NIP	NBI	NFPE[6]
6	Common Equity Tier 1 ("CET1") before regulatory adjustments	**5,765**	**5,512**	**148**	**671**
28	Total Regulatory Adjustments to Common Equity Tier 1[2]	**(392)**	**(445)**	**118**	**(25)**
45	**Tier 1 Capital**	**5,374**	**5,067**	**266**	**646**
46	**Tier 2 Capital**	2,160	1,260	-	-
59	**Total Capital**	**7,534**	**6,327**	**266**	**646**
62	**Tier 1 Ratio**[3]	**15.87%**	**15.43%**	**341.27%**	**68.30%**
63	**Total Capital as a percentage of total risk exposure amounts**	22.25%	19.27%	341.27%	68.30%
64	Institution specific buffer requirement[4]	2.53%	2.53%	2.50%	2.55%
65	of which: Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
66	of which: Countercyclical capital buffer requirement	0.03%	0.03%	0.00%	0.05%
68	Common Equity Tier 1 available to meet buffers[5]	6.77%	6.11%	335.27%	59.30%

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 0.815*

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.

	The Group				
$(m)	**Dec-20**	**Sep-20**	**Jun-20**	**Mar-20**	**Dec-19**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,374	5,358	5,363	5,226	5,329
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,370	5,345	5,349	5,210	5,324
Tier 1 capital	5,374	5,358	5,363	5,226	5,329
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,370	5,345	5,349	5,210	5,324
Total capital	7,534	7,518	7,523	7,386	7,489
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	7,530	7,505	7,509	7,370	7,484
Risk Weighted Assets					
Total risk-weighted assets	33,853	30,625	32,811	33,707	34,819
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.9%	17.5%	16.3%	15.5%	15.3%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	15.9%	17.5%	16.3%	15.5%	15.3%
Tier 1 (as a percentage of risk exposure amount)	15.9%	17.5%	16.3%	15.5%	15.3%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	15.9%	17.5%	16.3%	15.5%	15.3%
Total capital (as a percentage of risk exposure amount)	22.3%	24.5%	22.9%	21.9%	21.5%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	22.2%	24.5%	22.9%	21.9%	21.5%
Leverage Ratio					
Leverage ratio total exposure measure	168,800	163,988	155,549	162,757	173,120
Leverage ratio	3.2%	3.3%	3.4%	3.2%	3.1%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	3.2%	3.3%	3.4%	3.2%	3.1%

	NIP				
$(m)	**Dec-20**	**Sep-20**	**Jun-20**	**Mar-20**	**Dec-19**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,067	5,141	5,210	5,074	5,079
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,063	5,128	5,197	5,058	5,074
Tier 1 capital	5,067	5,141	5,210	5,074	5,079
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,063	5,128	5,197	5,058	5,074
Total capital	6,327	6,401	6,470	6,334	6,339
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	6,323	6,388	6,457	6,318	6,334
Risk Weighted Assets					
Total risk-weighted assets	32,840	29,602	31,726	32,746	34,018
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.4%	17.4%	16.4%	15.5%	14.9%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	15.4%	17.3%	16.4%	15.4%	14.9%
Tier 1 (as a percentage of risk exposure amount)	15.4%	17.4%	16.4%	15.5%	14.9%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	15.4%	17.3%	16.4%	15.4%	14.9%
Total capital (as a percentage of risk exposure amount)	19.3%	21.6%	20.4%	19.3%	18.6%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	19.3%	21.6%	20.4%	19.3%	18.6%
Leverage Ratio					
Leverage ratio total exposure measure	164,248	159,081	150,187	156,604	166,948
Leverage ratio	3.1%	3.2%	3.5%	3.2%	3.0%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	3.1%	3.2%	3.5%	3.2%	3.0%

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-20 **$m**	**RWA**	**Minimum Requirement(1)**	**RWA**	**Minimum Requirement(1)**
Total market risk capital requirement	6,464	517	6,279	502
Total counterparty risk and credit risk capital requirement	21,265	1,701	20,767	1,662
Total settlement risk capital requirement	86	7	86	7
Total operational risk capital requirement	2,923	234	2,655	212
Total credit valuation adjustment capital requirement	3,115	249	3,053	244
Total large exposure risk capital requirement	-	-	-	-
Total	**33,853**	**2,708**	**32,840**	**2,627**

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-20 to Dec-20). 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-20	**8,383**	**671**
Asset size	1,230	98
Credit quality of counterparties ("CQS")	15	1
Other	274	22
RWA as at Dec-20	**9,902**	**792**

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 September 2020 and December 2020

	The Group						
$m	**VaR**	**SVaR**	**IRC**	**Comprehensive risk measure**	**Other**	**Total RWA**	**Capital Requirements(1)**
RWA at Sep-20	**908**	**1,408**	**371**	**-**	**1,886**	**4,573**	**366**
Movement in risk levels	(138)	(134)	2		239	(31)	(2)
Model updates/changes	(102)	(158)			89	(171)	(14)
Var multiplier update	(102)	(158)			(256)		
RNIV offset no longer applied					345		
RWA at Dec-20	**668**	**1,116**	**373**	**-**	**2,214**	**4,371**	**350**

$m	NIP						
	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWA	Capital Requirements[1]
RWA at Sep-20	**871**	**1,347**	**370**	**-**	**1,835**	**4,423**	**354**
Movement in risk levels	(141)	(150)	2		229	(60)	(5)
Model updates/changes	(102)	(158)			89	(171)	(14)
Var multiplier update	(102)	(158)			(256)		
RNIV offset no longer applied					345		
RWA at Dec-20	**628**	**1,039**	**372**	**-**	**2,153**	**4,192**	**335**

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 and SVaR was mainly due to multiplier update from 3.4 to 3, as well as reduction in long rates delta from across desks. The reduction in the multiplier was a combination of backtesting exceptions rolling out of the 250 window and approval from the PRA to exclude Covid-related backtesting exceptions.
- Increase in Other ("RNIV") was driven by:

i) Removal of the capital benefit ($345m) from previous PRA approval to exclude Covid-relating backtesting exceptions ("RNiV Offset"). This was offset by the reduction (-$256m) in the VaR based RNiV from the updated multiplier.

ii) Increase in SVAR countercyclical buffer, following the tightening of credit spreads

Leverage Ratio

CRR Article 451

As at Dec-20 **$m**	The Group	NIP
Total Leverage Ratio Exposure	168,800	164,248
Tier 1 Capital	5,370	5,063
Leverage Ratio	**3.2%**	**3.1%**

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