Nomura Europe Holdings plc Group

Quarterly Pillar 3 Disclosures
31st December 2022

NOMURA

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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 31st December 2022 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 31st December 2022 and are therefore not disclosed in this document.

NBL discloses its annual 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.

Directors 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, 2, 3] as at 31st December 2022:

	$m	The Group				
		a	b	c	d	e
		Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	5,456	5,448	5,403	5,466	5,568
2	Tier 1 capital	5,456	5,448	5,403	5,466	5,568
3	Total capital	7,616	7,608	7,563	7,626	7,728
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	31,747	29,877	31,742	34,823	30,953
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17.18%	18.24%	17.02%	15.70%	17.99%
6	Tier 1 ratio (%)	17.18%	18.24%	17.02%	15.70%	17.99%
7	Total capital ratio (%)	23.99%	25.47%	23.83%	21.90%	24.97%
	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%	2.26%	
UK 7b	Additional AT1 SREP requirements (%)	0.79%	0.79%	0.79%	0.75%	
UK 7c	Additional T2 SREP requirements (%)	1.05%	1.05%	1.05%	1.00%	
UK 7d	Total SREP own funds requirements (%)	12.21%	12.21%	12.21%	12.01%	
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	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 (%)	0.27%	0.08%	0.06%	0.06%	
UK 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	2.77%	2.58%	2.56%	2.56%	
UK 11a	Overall capital requirements (%)	14.98%	14.79%	14.77%	14.58%	
12	CET1 available after meeting the total SREP own funds requirements (%)	8.03%	9.08%	7.87%	6.68%	
	Leverage ratio					
13	Total exposure measure excluding claims on central banks	137,768	129,979	125,479	131,273	156,272
14	Leverage ratio excluding claims on central banks (%)	3.96%	4.19%	4.31%	4.16%	3.56%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	22,485	22,436	22,559	22,557	
UK 16a	Cash outflows - Total weighted value	31,657	32,220	33,152	34,666	
UK 16b	Cash inflows - Total weighted value	24,581	25,449	26,190	27,375	
16	Total net cash outflows (adjusted value)	7,962	8,059	8,292	8,670	
17	Liquidity coverage ratio (%)	283.42%	280.25%	274.33%	261.92%	

1. *As a Leverage Ratio Requirements ("LREQ") entity, the Group shall be subject to additional leverage ratio disclosure requirements beginning 1 January 2023. Template rows 14a to 14e have therefore been removed.*
2. *The Group shall be subject to Net Stable Funding Ratio ("NSFR") disclosure requirements beginning 1 January 2023. Template rows 18 to 20 have therefore been removed.*
3. *The Group is required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 31st December 2022, the Group is in compliance with the PRA capital requirements.*

Tier 1 ratio decreased by 1.06% during the quarter primarily driven by an increase in RWAs. Leverage ratio decreased 0.2% during the quarter due to an increase in leverage exposure. Liquidity Coverage ratio has improved during the quarter mainly due to lower business utilisation of liquidity resources observed in the current market environment.

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 31st December 2022:

	$m	The Group		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		Dec-22	Sep-22	Dec-22
1	**Credit risk (excluding CCR)**	**2,989**	**2,602**	**239**
2	Of which the standardised approach	2,989	2,602	239
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**	**20,137**	**18,797**	**1,611**
7	Of which the standardised approach	4,773	4,771	382
8	Of which internal model method (IMM)	7,687	7,104	615
UK 8a	Of which exposures to a CCP	176	202	14
UK 8b	Of which credit valuation adjustment - CVA	3,350	3,256	268
9	Of which other CCR	4,151	3,464	332
15	**Settlement risk**	**49**	**65**	**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)**	**5,489**	**5,331**	**439**
21	Of which the standardised approach	1,429	1,346	114
22	Of which IMA	4,060	3,985	325
UK 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**3,083**	**3,083**	**247**
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	3,083	3,083	247
UK 23c	Of which advanced measurement approach	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	-	-	-
29	**Total**	**31,747**	**29,877**	**2,540**

The Group's RWEAs increased during the quarter primarily driven by an increase in repo and stock lending activity.

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 50% which will phase out to 25% by 2023.

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	**Dec-22**	**Sep-22**	**Jun-22**	**Mar-22**	**Dec-21**
Available Capital					
Common Equity Tier 1 (CET1) capital	5,456	5,448	5,403	5,466	5,568
Common Equity Tier 1 (CET1) capital as if IFRS 9 ECL transitional arrangements had not been applied	5,454	5,447	5,402	5,463	5,566
Tier 1 capital	5,456	5,448	5,403	5,466	5,568
Tier 1 capital as if IFRS 9 ECL transitional arrangements had not been applied	5,454	5,447	5,402	5,463	5,566
Total capital	7,616	7,608	7,563	7,626	7,728
Total capital as if IFRS 9 ECL transitional arrangements had not been applied	7,614	7,607	7,562	7,623	7,726
Risk-Weighted Assets					
Total risk-weighted assets	31,747	29,877	31,742	34,823	30,953
Capital Ratios					
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.18%	18.24%	17.02%	15.70%	17.99%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.18%	18.23%	17.02%	15.69%	17.98%
Tier 1 (as a percentage of risk exposure amount)	17.18%	18.24%	17.02%	15.70%	17.99%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	17.18%	18.23%	17.02%	15.69%	17.98%
Total capital (as a percentage of risk exposure amount)	23.99%	25.47%	23.83%	21.90%	24.97%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 ECL transitional arrangements had not been applied	23.98%	25.46%	23.82%	21.89%	24.96%
Leverage Ratio					
Leverage ratio total exposure measure	137,768	129,979	125,479	131,273	156,272
Leverage ratio	3.96%	4.19%	4.31%	4.16%	3.56%
Leverage ratio as if IFRS 9 ECL transitional arrangements had not been applied	3.96%	4.19%	4.31%	4.16%	3.56%

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 30th September 2022 and 31st December 2022:

	$m	The Group
		a
		RWEA
1	**RWEA as at 30th September 2022**	**7,104**
2	Asset size	608
3	Credit quality of counterparties	(25)
4	Model updates (IMM only)	0
5	Methodology and policy (IMM only)	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	-
8	Other	-
9	**RWEA as at 31st December 2022**	**7,687**

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 30th September 2022 and 31st December 2022:

	$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 at 30th September 2022**	662	1,791	311	-	1,221	3,985	319
1a	*Regulatory adjustment[1]*	(485)	(1,232)	(61)	-	0	(1,778)	(142)
1b	*RWAs 30th September 2022*	177	559	250	-	1,221	2,207	177
2	Movement in risk levels	93	(214)	64	-	167	110	9
3	Model updates/changes	(11)	17	-	-	37	43	3
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWAs at 31st December 2022*	259	362	314	-	1,425	2,360	189
8b	*Regulatory adjustment[2]*	718	981	0	-	0	1,699	136
8	**RWAs at 31st December 2022**	977	1,343	314	-	1,425	4,059	325

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 comes from a decrease in short USD and a short to long switch for GBP Rates Delta.

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)	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22
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)					22,485	22,436	22,559	22,557
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	5,356	5,399	5,353	5,245	3,522	3,529	3,485	3,422
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	2,423	2,477	2,477	2,419	606	619	619	605
7	*Non-operational deposits (all counterparties)*	2,589	2,543	2,467	2,471	2,572	2,531	2,457	2,461
8	*Unsecured debt*	344	379	409	356	344	379	409	356
9	*Secured wholesale funding*					14,807	15,257	15,920	16,683
10	Additional requirements	8,595	8,171	7,873	7,782	5,210	4,987	4,930	4,896
11	*Outflows related to derivative exposures and other collateral requirements*	7,646	7,177	6,828	6,696	4,900	4,649	4,560	4,501
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	949	994	1,044	1,086	310	338	370	395
14	Other contractual funding obligations	8,174	8,500	8,867	9,710	8,053	8,372	8,732	9,570
15	Other contingent funding obligations	159	197	231	259	65	75	85	95
16	TOTAL CASH OUTFLOWS					31,656	32,221	33,152	34,666
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	229,184	229,596	237,960	246,258	17,322	17,458	17,728	18,240
18	Inflows from fully performing exposures	1,601	1,573	1,525	1,570	1,211	1,185	1,165	1,223
19	Other cash inflows	6,048	6,806	7,297	7,912	6,048	6,806	7,297	7,912
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	236,834	237,975	246,782	255,740	24,581	25,449	26,190	27,375
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	177,778	179,453	187,512	194,191	24,581	25,449	26,190	27,375
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					22,485	22,436	22,559	22,557
22	TOTAL NET CASH OUTFLOWS					7,962	8,059	8,292	8,670
23	LIQUIDITY COVERAGE RATIO					283.42%	280.25%	274.33%	261.92%

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 made up of net repos, 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 continues on an upward trend from 280% at 31st September 2022 to 283% at 31st December 2022.

Due to the recent market environment we have observed lower business utilisation of liquidity resources. Key changes are a reduction in Pillar 1 outflows primarily across secured funding products.

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.