



NOMURA

Translation from the German language

NOMURA FINANCIAL PRODUCTS EUROPE GMBH

Annual Financial Statements and Management Report
01 April 2023 – 31 March 2024

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MANAGEMENT REPORT

The Management Board of Nomura Financial Products Europe GmbH ("NFPE") hereby presents its management report and the financial statements for the financial year ending 31 March 2024. The Institution is registered in Germany in commercial register B of the Frankfurt am Main Local Court under no. HRB 110 223 and maintains its registered office at Rathenauplatz 1, 60313 Frankfurt am Main, Germany.

OVERVIEW OF THE INSTITUTION'S BUSINESS ACTIVITIES AND CONTROLS, DESCRIPTION OF MAJOR RISKS AND INFORMATION ABOUT BRANCHES

Primary activities, organisation and legal structure

The Institution was founded in 2017 as a securities trading bank and is a subsidiary of Nomura Europe Holdings plc ("NEHS"), which has its registered office in London, UK.

On 24 May 2018, BaFin ["Bundesanstalt für Finanzdienstleistungsaufsicht": German Federal Financial Supervisory Authority] issued the Institution with a licence to conduct banking business and render financial services in accordance with Sec. 32 (1) and (2) KWG ["Kreditwesengesetz": German Banking Act]. The Institution commenced trading activities on 6 March 2019. The Institution's licensed banking operations include:

- Trading in and selling of fixed-income and equity products, including derivatives
- Investment banking services
- Corporate finance and private equity

The Institution's ultimate parent company and controlling company is Nomura Holdings Inc. ("NHI"), which together with NEHS and the other NHI subsidiaries forms the "Nomura Group".

The Nomura Group is a financial services group based in Japan with branches in countries and regions all over the world, including Singapore, Hong Kong, the US and the UK. The Nomura Group's business comprises the Retail, Asset Management and Wholesale divisions which provide financial services to a large number of diverse clients, including private investors, corporations, financial institutions, governments and government agencies.

The Institution is subject to the oversight of BaFin. BaFin sets minimum capital requirements for the Institution on a standalone basis.

In the reporting year, NFPE was managed by a minimum of five Management Board members and controlled by a Supervisory Board composed of at least three members.

CORPORATE GOVERNANCE

In terms of organisational structure, NFPE has a **Management Board** and a voluntary **Supervisory Board**. Together with the shareholder meeting, these boards are the governing bodies of NFPE.

Management Board

The Management Board's primary aim is to conduct NFPE's business sustainably, profitably and in compliance with Sec. 25a KWG and to act in the best interests of its stakeholders (which include its shareholders) and in the public interest. The Management Board defines the allocation of powers and responsibilities and manages NFPE's business and affairs.

The Management Board consists of the Chief Executive Officer ("**Speaker**" or "**CEO**"), the Chief Risk Officer ("**CRO**"), the Chief Compliance Officer ("**CCO**"), the Chief Financial Officer, whose role has been extended to include other areas and who has therefore had the role of Chief Financial and Administrative Officer ("**CFAO**") since July 2023, and the Chief Trading Officer ("**CTO**"), who are jointly responsible for the management and control of NFPE. The position of Chief Client Management Officer ("**CCMO**") has been eliminated as part of a redistribution of responsibilities within the Management Board.

The Management Board is assisted by committees that advise the members of the Management Board: the Risk Management Committee, the Asset & Liability Committee, the ICAAP Committee, the Outsourcing Committee, the Legal Entity Management Committee and the Project & Change Committee. NFPE's Management Board members also attend Transaction Committee meetings at NEHS which have implications for the business undertaken by NFPE.

The committees and their responsibilities are outlined below:

NFPE's Risk Management Committee is chaired by the CRO of NFPE and is primarily responsible for monitoring all material risks and the relevant risk management and methods. It is also responsible for reviewing the risk strategy and monitoring risk management-relevant regulatory matters and their implementation at NFPE.

The Asset and Liability Committee (ALCO) was set up by the Management Board of NFPE to support the Institution's CFAO in fulfilling his tasks in relation to the management of financial resources and the monitoring of liquidity risk.

In accordance with Sec. 25a (1) Sentence 3 No. 2 KWG in conjunction with AT 4.1 No. 1 MaRisk ["Mindestanforderungen an das Risikomanagement": Minimum Requirements for Risk Management], the Management Board of NFPE has established an Internal Capital Adequacy Assessment Process (ICAAP) Committee, chaired by the CFAO of NFPE, to ensure that the Institution's major risks are covered at all times by its risk coverage potential, taking into account risk concentrations, and that internal capital adequacy is therefore ensured.

The Outsourcing Committee is chaired by the outsourcing officer and ensures that the services provided by the service organisation are monitored effectively by establishing an effective outsourcing framework. This includes regular assessments of the performance of the service organisations on the basis of individual key performance indicators (KPIs).

The NFPE Cross-Border Risk Committee was dissolved at the end of the last calendar year due to overlaps with other existing committees. The topics published by this committee with regard to financial and risk indicators will continue to be reported on by the NFPE Risk Management Committee and the NFPE Management Board. In order to maintain oversight with regard to the NFPE Booking Rules Framework and cross-border risks to which NFPE is exposed in particular, management has set up the NFPE Legal Entity Committee.

The NFPE Legal Entity Committee is chaired by the Head of Legal Entity Management at NFPE and is responsible for ensuring that all matters related to the NFPE Booking Rules Framework, cross-border bookings as well as the AP and merchant population are monitored and escalated where necessary. Authorised Persons ("APs") refer to individuals in front office roles authorised by NFPE to carry out regulated activities on behalf and for the account of NFPE, and to give NFPE access to funding as a trader by arranging the execution of transactions with a client or counterparty. The NFPE Management Board participates in this committee.

The Project & Change Committee is headed by the CAO Office and facilitates the targeted monitoring of project proposals and initiatives within NFPE or within the Nomura Group in which NFPE has a vested interest.

Representatives of NFPE also attend group-wide committee meetings. The Transaction Committees are control bodies set up by the EMEA CRO to approve complex and non-standard transactions and high-risk transactions at NEHS. The NFPE CRO attends the committee meetings if a transaction requiring approval is relevant for NFPE. The NFPE CRO has a right of veto in relation to such transactions. The decision of the NFPE CRO is underpinned by a local process involving the control functions. 105 Transaction Committee meetings which were relevant for NFPE took place in the reporting period.

Supervisory Board of NFPE

The Supervisory Board is responsible for overseeing the Management Board and ensures that business is conducted in compliance with applicable laws and regulations and with the Institution's articles of incorporation. In addition, the Supervisory Board is responsible for engaging the auditor for the financial year and for making the relevant reports available to the shareholders. In order to fulfil these tasks, the Supervisory Board has formed a Remuneration Committee and a combined Audit and Risk Committee.

NFPE's Remuneration Committee is based on the requirements of the IVV IV ["Institutsvergütungsverordnung": German Ordinance Regarding the Supervisory Requirements for Remuneration Systems of Institutions], the WpIG ["Wertpapierinstitutsgesetz": German Investment Institutions Act] and the KWG and is tasked with monitoring the appropriate design of the remuneration systems for Management Board members and employees.

In organisational terms, this committee reports to the Supervisory Board of NFPE, its members are also members of the Supervisory Board. The committee supports the Supervisory Board in all of NFPE's remuneration matters. For instance, the remuneration systems and components and the underlying regulatory requirements are reviewed and discussed to determine whether they are appropriate and current. This includes the salary adjustment processes and the planning and disbursement of variable remuneration components. In order to review variable remuneration with regard to risk, the Remuneration Committee may also use information provided by the Compliance, Internal Audit and Risk control functions, in addition to that provided by Human Resources. The Finance department is consulted in order to take into account the financial position and performance.

The Audit and Risk Committee is a sub-committee of NFPE's Supervisory Board and was established in accordance with the requirements of Sec. 25d (8) and (9) KWG. The committee's tasks include supporting the Supervisory Board in monitoring the implementation of the risk strategy and the internal control system, and in accounting processes. It also assists the Supervisory Board in selecting the external auditor, monitoring the performance of the audit and in the rectification of audit findings by the Management Board.

The Supervisory Board meets at least four times a year in order to fulfil its tasks effectively. Additional Supervisory Board meetings are held whenever necessary.

DIVISIONS AND PRODUCTS

NFPE's business comprises the two main divisions of Global Markets and Investment Banking.

NFPE's Global Markets division sells and trades in cash and derivative products on the basis of interest, fixed-income products and currencies, securitised products and equities. It also performs equity research, primarily for its European institutional clients. The division also provides services in the primary and secondary markets.

NFPE's Investment Banking division sells a comprehensive range of products, including strategic advisory services, as well as financing and derivative solutions for corporations, private equity investors, financial institutions and sovereign or supranational institutions.

NFPE works in the capital markets business with institutional clients to further improve its sustainability expertise and business activities related to ESG (Environment, Social, Governance).

BUSINESS ENVIRONMENT

Despite falling inflation (2.4% in March 2024 compared to 6.9% in March 2023), the business environment in the 2023/2024 financial year was characterised by uncertainty in the markets, not least due to the conflict in the Middle East, and a stagnating gross domestic product. According to Eurostat, GDP only grew 0.2% in the euro area over the course of the financial year compared to 1.3% in the previous financial year. GDP fell by -0.1% in the third and fourth quarters of the calendar year.

The EuroStoxx50 remained largely stable, fluctuating between 4200 and 4450 points from April to September 2023, followed by a slight slump in October to around 4000 points in response to the conflict in the Middle East. However, by the end of the financial year, it had recovered by 20% to 4921 points on 29 March 2024.

During the course of the financial year, market volatility initially remained at a low to medium level with a VSTOXX value around 19 at the beginning of April 2023. It fell slightly in Q2, before rising to 23 in Q3 of the financial year due to the conflict in the Middle East. Overall, market volatility fluctuated between 12 and 23 during the year, moving between 12 and 15 in Q4.

In this environment, the trading volumes of the NFPE remained largely stable, improving slightly compared to the level of the previous year by the end of the calendar year 2023. As in the previous year, this calendar year ended with a stronger fourth quarter (September – December). Around the turn of 2023/2024, trading volumes declined, but subsequently recovered and also exceeded the level of the previous quarter

War in Ukraine

Since the start of Russia's war of aggression against Ukraine in 2022, a growing number of sanctions have been imposed, targeting Russian state enterprises along with companies and individuals associated with Russia in particular. Further sanctions were imposed in the 2023/2024 financial year.

As part of the adoption of the sanction measures in 2022, NFPE placed business activities with business customers with a connection to Russia on hold or completely discontinued them. As NFPE does not maintain regular or custody accounts for clients, it was unable to freeze any assets. All Bundesbank enquiries about sanctions to NFPE were answered on time.

The effects of any further sanctions will have to be taken into account in the coming financial year 2024/2025.

Sustainability

We have experienced prevailing customer demand for sustainable products and other solutions for a carbon neutral future. As part of the Nomura Group, together with the Nomura Research Center for Sustainability, NFPE is currently developing strategically sustainable financing and investment opportunities to meet the financing needs of companies.

Nomura is an official signatory of the UN Principles for Responsible Banking (UN PRB) and published medium and long-term carbon emission reduction targets for the entire Institution in 2018. In addition, in September 2021, the Nomura Group published its commitment to reduce greenhouse gas (GHG) emissions to net zero for its own operations by 2030 in line with the Paris Climate Agreement.

KEY PERFORMANCE INDICATORS

The Management Board uses a number of performance indicators to assess the Institution's business performance.

These indicators are aligned with the objectives of the NOMURA Group, with group-wide metrics being broken down into components which can be influenced by the Institution.

Return on equity (ROE) and profitability: the Group defines ROE as the profit or loss attributable to shareholders divided by total shareholders' equity. NFPE aims to remain within a target corridor of 8% to 10% in the medium term. During the past financial year, NFPE achieved ~2%.

As the Institution has only limited influence on consolidated equity and its allocation, the Management Board focuses on the profit contribution to this metric in the form of net income for the year. As a result of its direct correlation with capital, the net income for the year as reported in the financial statements prepared according to the German Commercial Code is used as a basis.

(Administrative) cost-income ratio and income to RWA: All business carried on by the Institution is attributable to the Wholesale division, for which the (administrative) cost-income ratio and income to RWA have been defined as performance indicators at Group level. In keeping with its role within the Group, the Institution can influence these factors through its expenditure and commission income and by managing its RWA utilisation in line with risk appetite.

Trading assets and total assets: These are indicators derived directly from the financial and regulatory reporting which, in view of the Institution's fledgling status, have to be closely monitored and managed in order to comply with all regulatory requirements and facilitate business activities within the scope of planning.

In addition to the above metrics, our business is also governed using all other resources deployed in our business activities, such as liquidity employed. The development of these indicators in the financial year is described below.

ASSETS, LIABILITIES, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

In keeping with expectations, the balance sheet indicators continued to expand during the past financial year. The growth in the balance sheet was primarily attributable to additional securities repurchase transactions based on government bonds. Revenues from sales-oriented transfer pricing declined as a result of subdued market activity, while administrative expenses and related reimbursements continued to increase. Administrative expenses for the past financial year include non-recurring one-off expenses resulting from the remediation of findings from the special audits pursuant to Section 44 of the previous years. A reduced contribution to earnings from flow rates trading activities also resulted in lower profitability. Changes in the interest rate and currency environment did not have a significant impact on the Group as a result of the balance sheet structure and the corresponding risk transfers. Ultimately, the result was below the expected result of capital planning (ICAAP) in light of the factors described above.

Overall, the Institution remains profitable, in the economic environment described, and recognises its role as a platform in the continental European area.

The financial resources of the Institution have not changed significantly. In addition to equity and T2 capital, the main sources of financing continue to be intra-group loans in the form of a subordinated shareholder loan of EUR 185 million. The Institution's financial resources were bolstered by the further organic build-up of Common Equity Tier 1 (CET1) capital (from the retention of the previous year's profit).

The Institution's financial resources were within the capital and liquidity limits at all times and considered reasonable.

The Institution's key financial indicators developed as follows during the year:

	<u>2023/2024</u> in EUR (thousand)	<u>2022/2023</u> in EUR (thousand)
<u>Revenue</u>	<u>174,665</u>	<u>195,993</u>
Net income from trading book positions	47,230	48,724
Net interest expense	-13,929	-16,974
Commission income	90,855	89,577
Other operating income	50,509	74,666
General and administrative expenses	-148,871	-132,179
Earnings before taxes	25,010	63,178
Net income for the year	13,101	39,099
Total assets	18,133,927	14,714,799
Total liabilities	17,434,491	14,028,464
Equity	699,435	686,335
Equity capital ^[1]	867,526	868,766
Tier 1 capital ¹	682,526	680,263
Tier 1 capital ratio	22.5%	25.9%
Risk-weighted assets (RWAs)	3,029,353	2,619,566
Total capital ratio	28.6%	26.1%
Leverage ratio	4.3%	6.1%
Liquid assets	1,902,024	1,823,864
Net liquidity outflows	1,159,961	380,094
LCR	164%	480%
NSFR ratio	144%	146%

Income statement:

The Institution reported earnings before taxes of EUR 25.0 million for the financial year (previous year: EUR 63.2 million). This profit is attributable to commission and trading income and other operating income, which mainly stems from global transfer pricing and cost refund arrangements. It comprises sales credits and trading income from Global Markets, Investment Banking income and cost refunds within the Nomura Group. Overall, revenues from trading and sales aligned with customer business declined compared with the very successful previous year.

General and administrative expenses mainly relate to the personnel and non-staff operating expenses arising in the head-quarter and the branches. The increase in expenses during the financial year can primarily be attributed to the continued expansion of structures at headquarters, personnel changes in the front office, the new NFPE branch in Switzerland and regulatory costs, as well as intra-group related services.

Balance sheet:

As of 31 March 2024, the Institution had assets of EUR 18.1 billion. (previous year: EUR 14.7 billion). These mainly relate to reverse repos/repos of the trading book and treasury assets in the form of reverse repos and bank balances.

The amplified derivatives trading business contributed relatively little to balance sheet growth as positions are mostly netted on the balance sheet.

^[1] The previous year's values are reported after approval of financial statements

The shareholders' total equity came to EUR 699.4 million as of 31 March 2024 (previous year: EUR 686.3 million) and consists of capital stock, capital and revenue reserves and net retained profit.

Regulatory ratios:

As of 31 March 2024, the Institution had own funds totalling EUR 867.5 million (previous year: EUR 868.8 million) and risk-weighted assets (RWAs) of EUR 3,029.3 million (previous year: EUR 2,619.6 million), resulting in a total capital ratio of 28.6% (previous year: 26.1%). The Institution's risk-weighted assets are primarily shaped by operational risk and counterparty credit risk. The year-on-year increase in RWAs is mostly a result of an increase in client trading activities.

The Institution's cash and cash equivalents are primarily made up of reverse repo transactions with highly liquid sovereign bonds and remained at the level of the previous year at EUR 1,902 million (previous year: EUR 1,824 million). As expected, net outflow increased to EUR 1,160 million (previous year: EUR 380 million). This rise can be attributed to a change in regulatory requirements as well as growth in customer-related trading activities. The LCR came to 164% (previous year: 480%), significantly exceeding the minimum required regulatory and internal values. The NSFR (structural liquidity ratio) remained almost unchanged at 144% year-on-year (previous year: 146%). Until the annual financial statements were prepared, events after the reporting date did not have any effects on the Institution's assets and liabilities, financial position and financial performance.

OUTLOOK AND OPPORTUNITIES

Development of financial position and financial performance

In the past financial year, the projected earnings growth was not fully achieved, while costs stayed within the budgeted range. As a result, earnings before taxes were lower than in previous years. According to the business plan, more traders are due to transfer to the Global Markets and Investment Banking divisions of the Institution in the coming financial year. In addition to the associated stabilisation of business volumes in these divisions, we also expect to see a decline in earnings due to a lower margin in the product mix. The Management Board continues to pay attention to ensuring that cost discipline is maintained at all times, thereby proactively managing the Institution's profit situation.

The Management Board expects the balance sheet volume to be stable on the back of trading activities with EU clients. This is gauged by total assets, which are expected to remain within the range of EUR 15-20 billion over the coming 24 months.

The current global economic situation, which is shaped by considerable political (war in Ukraine and conflict in the Middle East) and macroeconomic uncertainties (inflation) can give rise to uncertainties and potentially contradictory effects. Cautious activity on the part of market participants can reduce the income from sales services, IBD projects and participation in the Group's trading result, thereby avoiding any negative impact on the earnings forecast. Overall, the Institution's loss potential remains limited under the current posting and transfer pricing model. Furthermore, these growth assumptions may be significantly impacted by changes in the regulatory landscape and the Nomura Group's strategy.

Development of other financial resources

The utilisation of financial resources will be affected by changes in business activities and be monitored as part of managing the Institution's risk appetite. According to its current forecasts (ICAAP, budget and liquidity planning), the Institution is equipped with sufficient resources to support its underlying business activities. In this context, the CET1 capital ratio, the liquidity coverage ratio (LCR) and the leverage ratio are constantly monitored. Organic growth in Tier 1 capital is expected through the reinvestment of the current and future net retained profit.

Outlook and opportunities for Global Markets

The Global Markets division aims to further expand trading activities with European clients and give the Norma Group access to the EEA market. The focus of the division is on developing business with existing clients and winning a moderate number of new clients. Despite the existing uncertainties, we expect business volumes to remain at their current level in 2024/2025. NFPE will continue to focus on its core products, Flow Rates and DCM, and also further strengthen the structured fixed-income securities business. We also expect the equity business to stabilise in line with our global strategy. In spite of the planned business growth for these products, we nevertheless expect to report a decline in earnings due to margin pressure. Customer activity in the field of sustainable financial instruments (e.g. green bonds) is also expected to continue to grow this year, as in the previous year.

Outlook and opportunities for Investment Banking

The stated target of the Investment Banking division is to further expand Merger & Acquisition advisory services, equity advisory services and the broking of financing solutions to European clients. We expect a moderate increase in business activity across segments and regions in the 2024/2025 financial year compared with the previous year. The focus is on the further strategic growth of the Greentech brand, Nomuran's Sustainable Capital Advisor, which was transferred to NFPE on 1 October 2023 by way of an intra-group transaction, as well as the Infrastructure & Industrials sector.

RISK REPORT

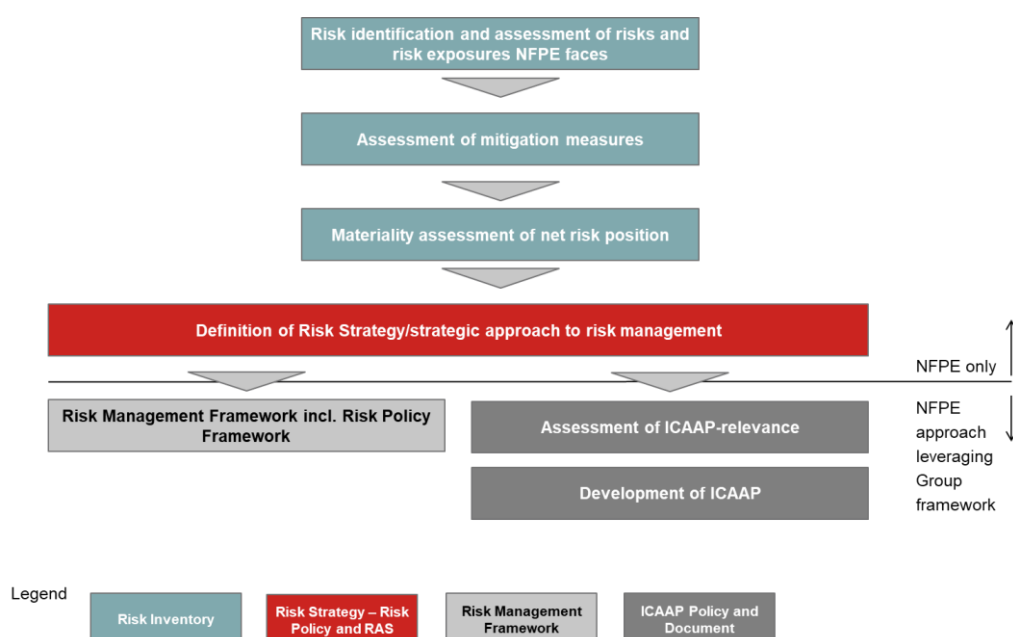
Strategic risk management approach

NFPE's risk strategy is composed of the NFPE Risk Appetite Statement and the NFPE Risk Management Policy. In compliance with the MaRisk, the risk strategy sets out NFPE's strategic approach to risk management and defines its risk appetite in keeping with its business strategy. It is reviewed and approved by NFPE's Management Board and presented to NFPE's Supervisory Board at least once each year.

The Institution's approach to risk management is interwoven with that of the rest of the Nomura Group, whose infrastructure it uses under outsourcing agreements. However, the Institution is governed locally and therefore defines, where it deems necessary, specific risk management controls, policies and procedures and formulates its risk appetite, i.e., the maximum amount and types of risks the Institution is willing to take.

The overarching goal of NFPE's risk management process is to identify, quantify (wherever possible), monitor and control risks and risk concentrations to which NFPE is exposed. NFPE's risk management process starts with the identification of risks, which is followed by a materiality assessment of the identified risk. This risk assessment is documented in the NFPE risk inventory. The risk strategy defines the strategic risk management approach to be taken for all risks which have been assessed as being material.

The following chart outlines the NFPE risk management approach:



All risks to which NFPE is exposed are potentially material. The following risks were identified as material for NFPE in the last risk inventory:

- Market risk
- Credit risk (including country risk)
- Liquidity and funding risk
- Model risk
- Operational risk
- Reputational risk
- Strategic risk (formerly "business risk" was renamed Strategic risk in line with Group taxonomy)

In addition, the Institution has identified risk drivers that affect multiple risk types: cross-border risk, electronic and algorithmic trading risk, and environmental, social and governance (ESG) risks. These are not considered separately, but as part of the above risk types.

Internal Capital Adequacy Assessment Process

NFPE has implemented an internal capital adequacy assessment process (“ICAAP”) in accordance with the requirements of the MaRisk and the supplementary ICAAP guidelines issued by BaFin. The ICAAP forms a governance framework for a detailed capital plan, an internal capital adequacy calculation and appropriate stress tests. In order to assess internal capital adequacy, NFPE has developed and implemented a normative and an economic perspective.

The **normative perspective** considers the requirements for minimum regulatory capital ratios, including the combined buffer requirement, the SREP requirement and the target equity ratio. It comprises a scenario-based test of compliance with Pillar 1 requirements in a baseline scenario and several adverse scenarios, at least one of which is severe, for a three-year horizon. Stress calculations are carried out for both capital and risks. From a normative perspective, risk coverage potential is equal to the regulatory equity. The capital requirements are calculated in accordance with the internal model approaches prescribed or approved by the regulator.

The **economic perspective** is designed to protect creditors from losses. Economic risk capital is calculated on the basis of a 99.9% confidence interval and a one-year holding period. The risk capital is then compared with the economic risk coverage potential (RCP). Internal capital is adequate if the risk capital is equal to or less than the RCP. In addition, stress testing is carried out using the same stress scenarios as in the normative perspective. Here too, internal capital is adequate if the risk capital is equal to or less than the RCP.

The internal capital adequacy plan and stress tests are updated annually on the basis of current insights from the risk inventory. When selecting the scenarios, NFPE takes into account institution-specific vulnerabilities to ensure that the scenarios are suitable for the Institution. An ESG scenario was also taken into account.

Financial year	Baseline			Stress		
Risk type	Risk (EUR m)	Action limit (EUR m)	Limit utilisation	Risk (EUR m)	Action limit (EUR m)	Limit utilisation
Credit risk	48	315	15%	226	315	72%
Market risk	10	63	16%	18	76	24%
Operational risk	79	119	67%	111	114	98%
Model risk	9	63	15%	40	63	63%
Total	147	559	26%	395	568	70%
Available capital	699			631		

Previous year	Baseline			Stress		
Risk type	Risk (EUR m)	Action limit (EUR m)	Limit utilisation	Risk (EUR m)	Action limit (EUR m)	Limit utilisation
Credit risk	133	281	47%	171	284	60%
Market risk	12	141	8%	19	150	12%
Operational risk	22	70	31%	35	84	42%
Model risk	15	70	31%	19	84	22%
Total	181	562	32%	243	601	40%
Available capital	703			668		

The stress testing showed that the limits set in the risk appetite were exceeded in the Global Economic Downturn (GED) scenario as of 31 December 2023, including the action limit, which relates to the total capital. In light of this development, NFPE analysed various potential measures to ensure compliance with the limit. A collateral position (independent

amount) of the Japanese sister company NFPS was identified as an effective and quickly implementable measure and subsequently implemented in March 2024. The results presented in the tables refer to March in each case. In the interests of consistency, a change was made to the reporting date in this financial year.

Stress testing is a fixed component of risk management in the Nomura Group and NFPE, and is carried out to supplement ICAAP and internal risk models in order to identify certain risks to portfolios at different levels which are impaired by specific shocks. Stress tests are designed to be economically coherent, exacting and comprehensive in terms of business and risk coverage, taking difficult yet conceivable scenarios into consideration. In order to obtain a uniform picture of risks, risk-specific and general stress tests are carried out.

Reverse stress tests are also performed annually. They examine which events would cause the original business model to be no longer feasible or viable. The last analysis was carried out at the end of December 2023. Some of the scenarios indicated an impairment of internal capital adequacy, but from a current perspective there is no need for action as the shocks were considered to be extremely unlikely to incur in the magnitude simulated. An exception to this is the inverse stress test "GED increase", in which the intensity of the economic stress testing as a whole is increased. As the risk appetite (action level) was already exceeded in the stress testing as of 31 December 2023, a further tightening as part of the inverse stress testing will lead to the risk appetite being further exceeded.

Risk appetite

Risk appetite defines the type and quantum of risk that the Institution is willing to assume in pursuit of its strategic objectives and business plan.

The Institution's Risk Appetite Statement is approved by NFPE's Management Board and the utilisation of the various limits, e.g., for regulatory capital, internal capital adequacy and liquidity requirements, is regularly reported to the Risk Management Committee (RMC) and the ICAAP Committee. There is clear ownership and accountability for monitoring and development for each risk type and the relevant risk appetite ratios. As part of the risk strategy, the Risk Appetite Statement must be reviewed and adapted if necessary at least once a year or following any significant changes in business strategy.

Risk organisation and structure

The Risk Management department was established as an independent risk control function to monitor and report on financial risks to which the Institution is exposed. In organisational terms it is separate from the front office departments and reports to the Chief Risk Officer of NFPE ("NFPE CRO"), who is a member of NFPE's Management Board.

In addition, there are committees devoted to monitoring other significant risks to the Institution. Other departments or functions within the Institution contribute to the Institution's global risk management as described below:

Through its liquidity management department, the Finance division is responsible for managing the Institution's liquidity requirements and for conducting liquidity stress tests to ensure compliance with the liquidity risk appetite and limits approved by the Management Board. The liquidity stress tests are regularly validated by the Model Validation Group and critically scrutinised by Treasury Risk Management.

Additionally, the Finance function bears overall responsibility for the ICAAP, which is carried out in close cooperation with the Risk Management department.

Monitoring, reporting and data integrity

Development, consolidation, control and reporting of risk management information ("risk MI") are fundamental to the appropriate management of risk. The aim of all risk MI is to provide a basis for sound decision-making, action and escalation as required. The departments are responsible for preparing regular risk MI, although most aspects of operational risk reporting are outsourced within the Group. This includes both regular reporting on the utilisation of the risk appetite and granular information on the risk situation. The risk MI encompasses information about all significant risk types and is regularly enhanced to accommodate current developments. The relevant departments are responsible for implementing appropriate reports and controls over data quality for the various elements of risk MI.

Adequacy of risk management

NFPE's Management Board is responsible for reviewing the adequacy of NFPE's risk management arrangements.

Risk categories

Market risk

Market risk is the risk of incurring losses due to a change in the value of financial assets and liabilities (including off-balance sheet items) resulting from movements in market risk factors, such as interest rates, exchange rates and securities prices. The Institution allocates its exposures to either trading portfolios or non-trading portfolios. The value at risk ("VaR") is determined daily for all trading book positions and compliance with the relevant limits is monitored

As NFPE enters into back-to-back transactions for the majority of transactions concluded with other Nomura Group subsidiaries to hedge against the market risk in client transactions, the Institution is primarily exposed to market risks in the form of the credit valuation adjustment ("CVA") and funding valuation adjustment ("FVA") alongside the hedging activities of the trading desks and market risks from treasury activities. These risks are managed by the trading desks in the Institution's books. No hedge accounting is performed.

Risk assessment

NFPE was granted permission by BaFin to use the internal models approach to calculate own funds requirements for market risk as of 1 July 2022. The permit replaces the previous temporarily granted "non-objection phase", during which the NFPE was allowed to use the model approved by the PRA. The regulatory VaR scope covers the general and specific risk arising from debt instruments and currency risk, thereby expanding on the previous scope, which was limited by certain valuation models. BaFin has set the multiplication factors *mc* and *ms* to the value of 4 in accordance with Art. 366 (2) sentence 1 of the CRR.

The standard rules for calculating the regulatory capital requirements for market risk are applied to trading positions which do not fall within the scope of the internal models approach. Such positions, however, are also captured in the VaR for internal management purposes.

Market risk is managed by market risk limits which are defined in accordance with the Nomura Group's market risk limit management system and NFPE's risk appetite. Market risk limits are set at various levels in NFPE, from institution level to trading desk level.

Value at risk

VaR is a measure of the potential loss due to adverse movements in market factors, such as equity prices, interest rates, credit, foreign exchange rates and commodities with associated volatilities and correlations.

The Institution uses a VaR model that has been implemented group-wide to determine the total trading VaR. A historical simulation is implemented, where historical market movements over a two-year window are applied to the Institution's current exposure in order to structure a profit and loss distribution. Potential losses can be estimated at required confidence intervals or probabilities.

Depending on the posting system, product and risk factor, the profit and loss distribution is generated by means of a full revaluation using spot-volatility grids or methods based on sensitivities ("Greeks"). The full revaluation method is applied to the primary risk factors of interest and credit products (interest rate and credit rating), whereas market value volatility grids are used for the primary risk factors of equity and currency products (spot price and stock market or exchange rate volatility). For some products and for secondary risk factors of all products (e.g., currency risk for interest rate, credit and equity instruments), the sensitivities-based method is used (the relevant metrics are multiplied by appropriate historical yields).

The Institution uses a VaR model for both internal risk management purposes and for regulatory reporting. For regulatory capital, the Institution uses a confidence interval of 99% and a 10-day time horizon calculated using actual 10-day historical market movements. For internal risk management purposes, VaR is calculated at the same confidence interval using both the one-day and 10-day time horizon. sVaR is calculated using the 10-day time horizon in both cases. The one-year stress window used for sVaR for internal risk management purposes is defined at group level (NHI), whereas it is NFPE-specific for regulatory reporting.

The sVaR is calculated for a severe financial stress using a one-year time window. Both VaR and sVaR are based on a single model that diversifies general and specific risks. Both VaR and sVaR are calculated daily using 10-day historical market moves. The historical two-year window for VaR is updated at least every other business day, while the optimal one-year window for sVaR is calibrated daily. The stressed period used in the sVaR model maximises the sVaR over a rolling one-year window between the beginning of 2008 and the reporting date.

The Institution's VaR model is monitored continuously to ensure that it is fit for purpose. The main way of validating VaR is to compare one-day trading losses with the corresponding VaR estimate (backtesting). The Institution's VaR model is backtested at different levels. During the financial year ended 31 March 2023,

One-day trading losses at institution level did not exceed the VaR estimate with a confidence level of 99% on any trading day, which led to a corresponding mark-up of the multiplication factors m_c and m_s according to CRR.

VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. Therefore, it may understate the impact of severe events.

Given these limitations, Nomura uses VaR only as one component of a diverse risk management process.

The table below provides an overview of the market risk situation at the end of the financial year, which remained relatively stable for the duration of the period.

Market risk according to COREP in EUR	31/03/2024	31/03/2023
10-day VaR 99%	1,572,295	1,527,544
10-day stress VaR 99%	2,121,387	1,543,432

Incremental risk charge ("IRC")

IRC is a measure of the potential loss from credit migration and default events on debt securities over a one-year time horizon and with a 99.9% confidence interval. The IRC is calculated in a Monte Carlo simulation of correlated migration and default events. A three-factor copula model is employed, which implies an inter-asset (cross-regional and cross-sectoral) correlation, an inter-regional correlation and an intra-asset (intra-sectoral) correlation. These correlations are calibrated to empirically-observed default events. P&L from migration is computed by applying credit spread shocks based on initial and final credit rating, adjusted for basis risk by product, recovery and maturity. P&L from default is simulated including stochastic recovery, correlated with overall default rates. A key determining factor of IRC on a position is the credit rating of the obligor, which is based on Nomura Group's Internal Rating system that is also used for the internal ratings-based approach at the Nomura Group and has been approved by the Japanese regulator. The IRC scope covers all debt securities. All positions in the IRC model are assumed to have a one-year liquidity horizon. At the end of the financial year, IRC amounted to EUR 802,061 (EUR 1,499,962 at the end of the previous year).

Credit risk

Credit risk is the of loss arising from an obligor's default which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty. The Institution applies the Nomura Group's credit risk management policies for its credit risk management ("CRM"), with due consideration being given to specific local factors. The Institution's credit risk profile is shaped by counterparty credit risk as NFPE does not engage in traditional lending business. All credit risk management processes and methods described below refer to counterparty credit risk and not to lending business in the narrower sense.

The process for managing credit risk at the Institution includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations
- Assignment of internal ratings to all active counterparties
- Approval of issuances and extensions of credit and establishment of credit limits
- Measurement and monitoring of the Institution's current and potential future credit exposures
- Consideration of credit risk management in legal documentation
- Use of appropriate credit risk mitigants including netting, collateral and hedging

Daily monitoring of credit exposure against approved credit limits and ongoing monitoring of the creditworthiness of counterparties take place. Any change in circumstance that alters the Institution's risk appetite for any particular counterparty, sector, industry or country is reflected in changes to the internal rating and credit limit as appropriate. Close monitoring of all borrowers has been carried out during the COVID-19 crisis and upon the onset of the war in Ukraine, but there are currently no indications of a significant deterioration in credit quality in the portfolio.

Internal ratings are an integral part of the assignment of credit limits to counterparties in order to ensure that the risk appetite is not exceeded. Global credit policies and NFPE-specific policies define the delegated authorities that establish the maximum aggregated limit amounts and granular limits that may be set for any single counterparty group based on their internal rating.

The Institution utilises financial instruments and netting agreements to manage credit risk. Given the potential for loss resulting from unsecured exposures, as a general rule, all extensions of credit by the Institution should be collateralised. In certain cases, however, where there is sufficient risk appetite, an unsecured exposure may be approved by the relevant credit risk managers.

Legal agreements should ensure that margin agreements and collateral accepted from clients provide the best possible protection for the Institution. Any non-standard collateral that gets approved must also be reviewed by all relevant departments to ensure that the operational capability is in place to properly control the new collateral type, and that concentration, reuse and liquidity implications are understood. Concentrations of collateral by issuer, country and counterparty are monitored and reported to senior management. Haircuts are applied to collateral and set according to the market risk of the asset. Haircut levels are determined on a regular basis through quantitative and historical analysis.

Risk assessment

As described above, counterparty credit risk relating to derivatives and securities financing transactions is the key determinant for the Institution's credit risk. The Institution has been granted permission by BaFin to use the internal model method ("IMM") in combination with the standardised approach in the calculation of the counterparty credit risk requirements for certain derivative and securities financing transactions. In the calculation of risk-weighted exposure amounts under the standardised approach to credit and counterparty risk, the ratings of Fitch, Moody's and Standard and Poor's are used for all applicable exposure classes.

For derivatives and securities financing transactions, the Institution measures credit risk primarily using a Monte Carlo-based simulation model that determines a potential exposure profile.

In addition, during the non-objection phase, the Institution uses the advanced approach to calculate the capital requirements for credit valuation adjustment risk (CVA risk). This approach is based on both the IMM and the IMA models described above.

The following table gives an overview of the credit risk in accordance with the credit risk standardised approach for the various exposure classes as of 31 March 2024.

Exposure class	RWA (in EUR (thousand)) 31/03/2024	RWA (in EUR (thousand)) 31/03/2023
Credit risk	2,030,750	1,737,427
Credit risk standardised approach	2,012,965	1,723,336
Central governments or central banks	14,627	24,127
Regional governments or local authorities	0	0
Administrative bodies and non-commercial undertakings	12,680	15,722
Multilateral development banks	0	0
International organisations	0	0
Institutions	519,371	540,729
Corporates	1,461,618	1,140,447
Retail	0	0
Secured by real estate property	0	0
Past due items	0	0
Items belonging to regulatory high-risk categories	0	0
Covered bonds	0	0
Securitisation positions	0	0
Short-term claims on institutions and corporates	0	0
Collective investment undertakings (CIU)	0	0
Equity	0	0
Other items	4,670	2,312
Exposure value for contributions to the default fund of a CCP	17,785	14,091

Wrong way risk

Wrong way risk (“WWR”) occurs when exposure to a counterparty is highly correlated with the deterioration of credit-worthiness of that counterparty. The Nomura Group has established policies that govern the management of any WWR exposures, which also apply to the Institution. Stress testing is used to support the assessment of any WWR embedded within existing portfolios of NFPE and adjustments are made to credit exposures and regulatory capital, as appropriate.

WWR analysis is performed by the Risk Management department. The analysis is provided to assist the Management Board in determining whether the level of wrong way risk is a concern and action should be taken to reduce it. For strongly correlated WWR, the Institution backs transactions with additional capital.

Concentration of credit risks

Concentrations of credit risks can arise from the Institution’s trading in derivatives, the financing of securities and exposures to central counterparties and clearing houses and are affected by changes in political or economic factors. At the Institution, concentrations of credit risks typically occur with highly rated credit institutions and affiliates in the Nomura Group. Such concentrations are considered by the models for quantifying credit risk in the economic perspective of the ICAAP.

Liquidity and funding risk

The Institution defines liquidity risk as the risk of failing to meet financial obligations as and when they become due. This risk can arise due to either a credit rating downgrade or market-driven negative events. Funding risk is defined as the risk of losses arising from difficulties in securing necessary funding or due to financing costs that are significantly higher than normal due to a deterioration in creditworthiness. The Institution's prime goal in liquidity risk management is to preserve liquidity at all times and in all stress scenarios and to ensure that the Institution is able to meet all financial obligations which fall due within the survival period defined by the Management Board.

Liquidity risk is managed by the liquidity risk limits set in accordance with NFPE's risk appetite. The Institution manages liquidity risk independently using the internal stress model, maximum cash outflow and regulatory ratios such as the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

The Institution's internal stress model quantifies the liquidity buffer necessary to survive the defined stress scenarios in the defined periods of time. The liquidity portfolio, which comprises highly liquid, unencumbered securities and central bank deposits, acts as a liquidity buffer and ensures that sufficient liquidity is available to satisfy the modelled requirements.

From a normative perspective, liquidity is managed through the LCR and NSFR. The LCR measures the ability to meet short-term liquidity requirements, while the NSFR ensures that non-current assets are financed through suitable stable sources of funding.

NFPE's aggregate liquidity exposure consists of its capital and loans from legal entities within the Nomura Group as well as received collateral generated by business. NFPE's resulting liquidity remained consistently above its risk appetite in the reporting year.

During the financial year, the liquidity requirement remained at a stable, moderate level. Major changes to the indicators for the normative perspectives can primarily be attributed to the EBA Q&A in relation to the LCR and the reclassification of counterparties in the NSFR calculation. The liquidity available to NFPE was sufficient for this. Existing buffers were not used in the financial year.

The monthly Asset and Liability Committee ("ALCO") makes all decisions relating to the magnitude and structure of liquidity capacity on the basis of medium and long-term forecasts.

In the financial year 2023/2024, the Institution had sufficient liquidity to cover fulfilment of the business plan and the minimum liquidity requirements at all times. The Institution expects the liquidity requirement to remain constant over the coming financial year.

Liquidity risk	(in EUR (thousand)) 31/03/2024	(in EUR (thousand)) 31/03/2023
Liquid assets	1,902,024	1,823,864
Net liquidity outflows	1,159,961	380,094
LCR	164%	480%

Model risk

Model risk is the risk of loss arising from model errors or incorrect or inappropriate model application. Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused.

NFPE has adapted the Nomura Group's model risk management policy, which defines the requirements for model validation when implementing new or modified valuation and risk models, and for their regular review. Furthermore, a process has been established to monitor model performance in order to identify and evaluate specific events which suggest

that a model is not functioning as it should or could be unsuitable and to identify which measures could be necessary to remedy any model deficiencies. For changes with an impact above a specific predefined materiality threshold, change approval is required. The Model Validation department defines these limits in a formal process and controls their application.

Non-financial risk

Operational risk

Operational risk refers to the risk of incurring financial and non-financial losses due to inadequate or faulty internal processes, systems as well as man-made or external events. Strategic or reputational risks are not considered part of operational risk, although reputational risks are closely linked to it as they can be triggered by operational risks.

NFPE is inevitably exposed to non-financial risks as a result of its business activities. The Management Board is therefore responsible for ensuring that there is an adequate operational framework in place to ensure risks are sufficiently identified, analysed, monitored, controlled and reported (risk management loop) using the following operational risk tools:

- *Collecting information on the incident*: Incidents that occur are systematically recorded, analysed, counteracted by measures and reported.
- *Risk Control and Self-Assessment ("RCSA")*: All organisational areas of NFPE identify and evaluate the inherent and residual risks arising from their respective areas of responsibility. The effectiveness of controls related to risk avoidance is examined and taken into account when assessing residual risk.
- *Scenario analysis*: In the scenario analysis, the probability of occurrence and potential loss amounts of rare yet plausible loss events that may cause serious damage are estimated. In addition to incident data, scenarios are used as an input for determining the economic capital requirement for operational risks.
- *Key Risk Indicators ("KRI")*: KRI are metrics that act as an early warning and monitoring system for operational risks. The aim of KRIs is to allow management to introduce measures to counteract risks before they arise.

The operational risk profile of NFPE is defined by its locations and its business model. NFPE is part of the Nomura Group and outsources parts of its business operations within the Group. This results in third-party risks, which form a significant part of the operational risk profile. One of these risks includes IT operations, which are exposed to IT security and cyber risks.

In the course of the NFPE's business, transaction risks also arise from trading activities (including risks arising from electronic trading). Due to the back-to-back agreement in place with other Nomura Group companies, market price risks that materialise due to operational risks are largely transferred to these other companies (see market risk). However, risks from breaches of regulatory requirements and the applicable law remain with NFPE and represent a significant part of the operational risk profile.

In addition to global market developments, the success of the NFPE primarily depends on its qualified employees. A growing business model coupled with a competitive market environment for hiring talent has led to additional personnel risks for NFPE.

Reputational risk

Reputational risk is one of the main risks faced by NFPE and can arise from a variety of causes. Reputational risk describes the risk of potential damage to the reputation of NFPE and the associated risk to earnings, capital or liquidity arising from an association, act or omission that could be perceived by stakeholders as inappropriate, unethical or inconsistent with the values and beliefs of NFPE.

NFPE may also be affected by reputational risk events throughout the Nomura Group. Corresponding incidents within the Group have the power to affect the reputation of the Nomura brand and, as a result, the business performance of NFPE.

NFPE has rolled out training in accordance with Nomura Group standards to ensure that all employees are aware of the reputational risks associated with their daily work. For operational reasons, controls have been set up and processes are closely monitored to minimise any negative impact on NFPE's broker ranking.

Strategic risk

Strategic risk is defined as the risk to current or forecast earnings, capital, liquidity, enterprise value or the reputation of the Nomura Group resulting from adverse business decisions, poor implementation of business decisions or a lack of responsiveness to changes in the industry or external environment. Managing strategic risk is the responsibility of NFPE's Management Board.

Internal audit

NFPE Internal Audit is responsible for performing internal audit work at NFPE and its branches. This includes the risk-based and process-independent audit and assessment of the design and operating effectiveness of the risk management system in general and specifically the internal control system. It encompasses all activities and processes carried out by NFPE in performing its business activities, regardless of whether or not they have been outsourced. Internal Audit follows a global methodology and is guided by the standards issued by the Institute of Internal Auditors (“IIA”) and Information Systems Audit and Control Association (“ISACA”) and by the guidelines and recommendations of other relevant organisations such as the Basel Committee on Banking Supervision. Quality control tests are performed by a global team which is independent of the internal audit employees who are responsible for the audit to ensure that the audits by Internal Audit meet the requirements of the IA methodology and other applicable standards. An annual risk assessment is performed that covers all activities of NFPE and its branches. The results are used to develop the internal audit plan which requires the approval of the NFPE Management Board and the Audit and Risk Committee.

The Nomura Group’s Internal Audit is responsible for auditing and assessing the adequacy and operating effectiveness of internal control over all business and operational activities within the Group. The Global Head of Internal Audit is on the same independent reporting level as the Internal Controls Committee and the Chairman of the Audit Committee of Nomura Holdings, Inc. The Global Head of Wholesale Division Audit & NEHS Audit Head is on the same independent reporting level as the Chairman of the Audit Committee of NEHS and reports to the Global Head of Internal Audit. NFPE is fully covered by the activities of Internal Audit of the Nomura Group, to which a Frankfurt-based internal audit team belongs. The Head of NFPE Internal Audit reports to the local Management Board and the Supervisory Board of NFPE and also to the functional Head of Global Wholesale Division Internal Audit.

Audits are performed using a risk-based method. Key controls are determined and numerous techniques are employed to assess the appropriate design and operating effectiveness of the controls. These include identifying and observing controls, sample testing and, in some cases, substantive testing. NFPE Internal Audit reports in accordance with the requirements of Nomura’s internal audit methodology. A full and a condensed audit report are prepared and made available to the Management Board, the Supervisory Board and the heads of the departments concerned. The status of open points is reviewed regularly and reported to the Management Board and the Supervisory Board, as well as to the department heads who are responsible for remedying the points in question. Internal Audit performs work to test and confirm problematic points which have been resolved, according to management.

A copy of the Internal Audit Charter is available on request.

German prosecutor's investigation of Cum-Ex tax fraud transactions

On 25 and 26 April 2023, the Cologne Public Prosecutor's Office searched the premises of NFPE with a search warrant. It concerned a search of another person's property according to Section 103 of the German Code of Criminal Proceedings [Strafprozeßordnung; StPO]. The investigation relates to 37 private individuals (including former employees of the former branch of Nomura International Products plc in Germany) in relation to potential involvement in Cum-Ex transactions. NFPE has never applied for tax refunds based on cum-ex transactions since it was founded and commenced business in 2018. The legal representatives of NFPE do not expect any financial burden on NFPE arising from potential liability claims in connection with Cum-Ex.

FUTURE DEVELOPMENTS

Regulatory changes

European banking reforms

In October 2021, the EU Commission published a first draft of a comprehensive banking package that adapts key parts of the Capital Requirements Regulation (“CRR III”) and Capital Requirements Directive (“CRD VI”), which was further clarified in December 2023. The draft was approved by the European Parliament on 28 April 2024. According to the official publication in the journal, member states have 18 months to enshrine the regulations in national law. The aim is to strengthen the resilience of the EU banking sector to future crises. At the same time, it contributes to the recovery from the economic consequences of the COVID-19 pandemic and to the transition to a climate-neutral economy.

At its core, the banking package enacts the completion of the Basel III reforms ('Basel IV'), which was already adopted at the level of the Basel Committee on Banking Supervision in December 2017, thereby placing the provisional final point under the determination of the adequacy of banks' own funds and risk management. New approaches are to be implemented to determine the risk-weighted assets and, accordingly, the capital requirements for credit risks, operational risk and credit value adjustments in the derivative business. This also includes the introduction of a lower limit on the output floor for institutions calculating their risks using internal models. These new rules are expected to enter into force in 2025.

In addition, in December 2021, the European Banking Authority (EBA) published the Draft Regulatory Technical Standard (RTS) for the classification of (large) investment firms as credit institutions. Accordingly, if various criteria are met, investment firms may be classified as credit institutions. The transposition of this draft into binding law is still pending.

The Institution also monitors and observes all new and changed regulatory requirements in relation to environmental, social and governance (ESG) risks which are now featuring more prominently in many regulatory projects. The changes due to the ESG regulations do not only affect a large number of existing processes, such as product governance, investment advice and disclosure requirements, but also create additional risks in existing risk categories such as financial, reputational and operational risks.

In addition, DORA (Digital Operational Resilience Act), which entered into force in January 2023 and is set to be implemented by January 2025, is another EU regulation that deals with cyber risks and risks affecting information and communication technology and provides guidelines for the operational resilience of financial companies in dealing with them.

GOING CONCERN

The Institution's business activities and the factors which are likely to impact its future development, performance and position are specified in this report. Its objectives, policies and procedures for risk management and its exposure to credit, market and liquidity risk, its asset management procedures and available capital resources are also described in this report.

The Management Board expects that the Institution will be able to continue operating for the foreseeable future. The financial statements were therefore prepared on a going concern basis.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

Financial statements
1 April 2023 – 31 March 2024

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

BALANCE SHEET AS OF 31 MARCH 2024

Assets	EUR	EUR	<u>March 2024</u>	<u>March 2023</u>
			EUR	EUR
Cash reserve			56,816	174,058,838
a) Cash		5,944		7,966
b) Balances at central banks		50,872		174,050,872
<i>thereof at the Deutsche Bundesbank</i>	50,872			174,050,872
Receivables from banks			148,421,069	102,719,617
a) payable on demand		146,116,140		100,102,513
b) Other receivables		2,304,929		2,617,104
Receivables from customers			1,799,417,966	1,390,181,657
<i>thereof secured by real property liens</i>			-	-
<i>public-sector loans</i>			-	-
Trading assets			15,756,605,705	12,583,560,515
Property and equipment			5,269,265	3,449,487
Other assets			423,096,434	460,174,556
Prepaid expenses			1,059,579	654,046
Total assets		18,133,926,834		14,714,798,716

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

BALANCE SHEET AS OF 31 MARCH 2024

		<u>March 2024</u>	<u>March 2023</u>
Liabilities and equity	EUR	EUR	EUR
Liabilities to banks		37,135,604	1,240,697
a) payable on demand	37,135,604		761,531
b) With an agreed term or period of notice	-		479,167
Liabilities to customers		260,024,798	452,591,569
d) Other liabilities			
<i>thereof payable on demand</i>	-		-
<i>with an agreed term or period of notice</i>	260,024,798		452,591,569
Trading liabilities		16,115,152,648	12,814,191,004
Other liabilities		726,774,721	455,981,596
Provisions		90,961,103	105,264,586
a) Provisions for pensions and similar obligations	24,385,146		23,315,028
b) Tax provisions	12,088,644		13,465,675
c) Other provisions	54,487,313		68,483,883
Subordinated liabilities		185,000,000	185,000,000
Fund for general bank risks		19,442,572	14,194,754
<i>thereof special item pursuant to Sec. 340e (4) HGB</i>		19,442,572	14,194,754
Equity			
a) Subscribed capital		50,000,000	50,000,000
b) Capital reserves		490,000,000	490,000,000
c) Revenue reserves		146,334,510	107,200,000
d) Net retained profit		13,100,877	39,134,510
Total equity		699,435,387	686,334,510
Total liabilities and equity		18,133,926,834	14,714,798,716
Contingent liabilities		7,655	7,655
Guarantees	7,655		7,655
Other obligations		245,062,331	40,756,808
Irrevocable loan commitments	245,062,331		40,756,808

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

			<u>April 2023 – March 2024</u>		<u>2022 – 2023</u>
	EUR	EUR	EUR	EUR	EUR
Interest income from					
a) lending and money market business	920,492				128,552
less negative interest from lending and money market business	-	920,492			-1,570,053
					-1,441,501
b) Fixed-income securities and government-inscribed debt	150,792,976				44,791,852
<i>less negative interest on securities and government-inscribed debt</i>	-				-190,854
		150,792,976			44,600,998
Total interest income			151,713,467		43,159,497
Interest expenses from					
a) Fixed-income securities and government-inscribed debt		165,642,429			60,150,013
<i>less negative interest on fixed-income securities and government-inscribed debt</i>		-			-16,426
Total interest expenses			165,642,429		60,133,587
Net interest income/expense			-13,928,962		-16,974,090
Commission income			90,854,548		89,576,918
Net income from trading book positions			47,230,366		45,135,733
Other operating income			50,509,386		78,254,348
General and administrative expenses			148,870,974		132,178,510
a) Personnel expenses			95,352,351		80,958,304
aa) Wages and salaries		79,341,556			66,462,775
bb) Social security contributions and expenses for pensions and other benefits		16,010,794			14,495,529
thereof for old-age pensions	4,400,690				5,028,377
b) Other administrative expenses			53,518,623		51,220,206
Amortisation, depreciation and impairment of intangible assets and property and equipment			784,329		636,864

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

	<u>April 2023 – March 2024</u>	<u>2022 – 2023</u>
	EUR	EUR
Result from ordinary activities	<u>25,010,035</u>	<u>63,177,535</u>
Income taxes	11,909,158	24,078,826
Other taxes not shown under operating expenses	-	-
Net income for the year	<u>13,100,877</u>	<u>39,098,709</u>
Profit/loss carryforward from the previous year	39,134,510	47,335,801
Allocations to revenue reserves		
d) To other revenue reserves	39,134,510	47,300,000
Net retained profit/accumulated loss	<u>13,100,877</u>	<u>39,134,510</u>

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL REPORTING

Nomura Financial Products Europe GmbH, with its registered office in Frankfurt am Main, is registered in commercial register B of Frankfurt am Main Local Court under HRB no. 110223. The financial statements as of 31 March 2024 were prepared in accordance with the provisions set out in the HGB [“Handelsgesetzbuch”: German Commercial Code], the RechKredV [“Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute”: German Bank Accounting Directive] and the GmbHG [“Gesetz betreffend die Gesellschaften mit beschränkter Haftung”: German Limited Liability Companies Act].

2. ACCOUNTING POLICIES

The accounting policies were unaltered from the previous year.

Cash reserve

The cash reserve is carried at nominal value.

Receivables from banks and customers

Loans, credit balances and other receivables are valued at amortised cost less impairment.

Unlisted debt securities

Bonds and other fixed-income securities held in the liquidity portfolio and not held for trading are valued individually at the lower of amortised cost or market (lower of cost or market principle).

Bonds and other fixed-income securities held in the investment portfolio and not held for trading are carried at amortised cost less impairment losses if permanent (modified lower of cost or market principle). This is an accounting election to recognise impairment losses if the impairment is temporary.

The Institution’s policy is to recognise purchases of debt securities as of the settlement date. **Consequently**, trading with debt instruments can give rise to holdings as of the reporting date due to the difference in settlement times between purchase and sale.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

Trading book positions

All financial instruments classified as being held for trading, including derivatives, loans, debt instruments and equity instruments, are recognised at fair value through profit or loss less the risk discount in accordance with Sec. 340e (3) HGB. At the time of first-time recognition, the Institution classifies its financial assets according to the purpose for which the financial instruments were acquired and their features. The financial instruments of the trading book are valued at their fair value plus deferred interest.

Fair value of financial instruments

The fair value is the market price. If there is no active market on which to determine the market price, the fair value is determined using generally accepted valuation methods.

Trading assets are generally valued at the (lower) bid price and trading liabilities at the (higher) ask price. For convenience, however, valuations at average rates are also permitted. If the valuation is performed at average rates, an adjustment of the fair value between offer and demand is made for significant back-to-back cash positions.

Valuation models take into account contractual terms, position size, prices of underlying assets, interest rates, dividend rates, fair value, volatility and other statistical metrics for the instruments in question or for instruments with similar features. These models also include adjustments with regard to the credit risk of counterparties and the Institution's own credit risk, administrative expenses for the servicing of future cash flows and market liquidity adjustments. These adjustments are key components of the process used to determine fair value. The valuation method applied maximises the use of market data and minimises the use of institution-specific data not observable on the market.

Valuation models and their underlying assumptions influence the amount and timing of the unrealised profits and losses recorded. The use of different valuation models or underlying assumptions could lead to different results. The Institution's fair value estimates or valuation parameters entail a greater measure of subjectivity if they lack transparent market data.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH**FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2. ACCOUNTING POLICIES (CONTINUED)**

For OTC derivatives held in the trading portfolio, the counterparty credit risk is managed by taking into account credit valuation adjustments (CVAs), while Nomura's non-performance risk is covered by taking into account debt value adjustments (DVAs). In case of a funding valuation adjustment (FVA), the refinancing costs or benefits of unsecured derivatives and partly secured derivatives, which are only covered by a partial hedge or the hedge cannot be used for refinancing purposes, are accounted for at fair value. The FVA takes into account the Nomura Group's funding risk. To determine fair value, CVAs, DVAs and FVAs are based on available observable market data (e.g., credit default swap spreads). NFPE's own credit spread is also used for liabilities in the trading portfolio. Changes in fair value in the trading portfolio are netted and disclosed in the net trading result. Fair value adjustments due to changes in NFPE's own creditworthiness are also recognised in the income statement.

NFPE nets positive and negative fair values of trading book derivatives and the related margin payments (cash collateral) of OTC derivatives, both with central counterparties and with non-central counterparties. Netting with non-central counterparties may be performed if an agreement with an enforceable credit support annex (CSA) is in place, cash collateral is exchanged on a daily basis and therefore no material residual credit or liquidity risk remains. In a first step, the bank offsets positive fair values from derivative financial instruments with negative fair values. In a second step, compensation payments received, the repayment obligations of which are recognised in other liabilities, are offset against positive fair values from derivative financial instruments. Moreover, security payments with refund claims recognised in other assets are netted with the negative fair values from derivative financial instruments. The amounts derived from netting compensation payments with fair values in this way are recognised in trading assets or liabilities as a net figure.

Some central counterparties offer a settlement-to-market model for certain derivatives, under which daily compensation payments are made, which, for legal purposes, do not qualify as collateralisation but result in the settlement of outstanding receivables or liabilities. These compensation payments made and received are also presented in the balance sheet as a reduction of the item in this amount.

Repo transactions in the trading book are measured at fair value. Receivables and liabilities from and to customers under repo and reverse repo agreements are recognised as gross amounts. Securities borrowed by or loaned to third parties are not recognised as additions or disposals in NFPE's balance sheet, as there is no transfer of beneficial ownership.

Interest-based financial instruments not held in the trading book are checked cumulatively using an approach based on the net present value for surplus liabilities on an annual basis. This valuation pursuant to IDW AcP BFA 3 did not indicate any need to recognise a provision for potential losses.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

Risk discount

The risk discount for held-for-trading financial instruments measured at fair value is recognised as of each reporting date on the basis of the internal value at risk method (VaR) used for internal risk management.

The calculation is based on

- a 99% confidence level;
- a 10-day holding period and
- a minimum observation period of one year.

The adjustments are recognised in the income statement as a reduction of trading profit and as a single amount in an offsetting item for the higher amount of trading assets or trading liabilities.

Property and equipment and intangible assets

Property and equipment held for use are valued at acquisition cost less planned depreciation. Property and equipment are depreciated on a straight line basis over their estimated useful lives, generally on the basis of the depreciation tables published by the tax authorities. Low-value assets with an individual net value not exceeding EUR 800 are depreciated in full in the year of acquisition.

Specific bad debt allowances are recognised if there are indications that the asset may be impaired. The impairment loss of an individual asset is the difference between the book value of an asset and the lower of its replacement cost or market value. If the difference is considered to be permanent, the impairment loss is recognised in the income statement.

Purchased intangible assets are valued at amortised cost less planned amortisation. Intangible assets are amortised on a straight line basis over their anticipated useful lives to their estimated residual value.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

Other assets

Other assets are reported at nominal value.

Liabilities to banks and customers

Liabilities are recognised at their settlement value plus accrued interest and only derecognised if they are repaid, i.e., when the contractually specified obligations have been discharged, cancelled or have expired.

Other liabilities

Other liabilities are stated at their settlement value.

Provisions

Provisions are only recognised if they meet all of the following criteria:

- There is an existing or likely present obligation to third parties
- The obligation is based on legal or contractual provisions
- The cash outflow from the obligation is predictable (i.e., reasonably certain)
- The cash outflow cannot be recognised as an asset
- The recognition of a provision is not prohibited

Unrealised losses from financial derivative items in the non-trading book are recognised under other provisions.

Subordinated liabilities

Subordinated liabilities are recorded at the settlement value. Accrued interest is shown under liabilities to customers.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH**FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2. ACCOUNTING POLICIES (CONTINUED)****Equity**

Equity is stated at nominal value.

Other

Intragroup sales credits and profit shares from trades with NFPE clients are recognised as trading income. Income in connection with NFPE's investment banking activities and in connection with NFPE's trading activities with Nomura Group clients is recognised under commission income.

Fund for general bank risks

An allocation in accordance with Sec. 340e (4) HGB was required in the reporting year. This was performed at the expense of the net income from trading book positions and increases the item fund for general banking risk.

Contingent liabilities/irrevocable loan commitments

Contingent off-balance sheet liabilities and irrevocable loan commitments are disclosed at nominal value. The irrevocable loan commitments relate to new reverse repo transactions concluded as of the reporting date due to start after the reporting date.

Foreign currencies

All foreign currency transactions are initially valued in EUR at the actual exchange rate on the transaction date, with the income or expense item being recognised either at the actual rate or the average rate.

Property and equipment and intangible assets are subsequently revalued at historical rates, while other items are revalued at the current mean market closing rate as of the reporting date.

Held-for-trading financial instruments which are measured at fair value are revalued at the current mean market closing rate.

Exchange gains and losses from the revaluation of non-trading balances at the mean spot rate are recognised separately as part of other income or other expenses. As a result of the currency position management processes employed, the non-trading book has special coverage in accordance with Section 340h of the German Commercial Code (HGB).

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Foreign currency translation

Amounts in foreign currencies are translated in accordance with the provisions of Sec. 256a HGB. Assets and liabilities as well as income and expenses denominated in foreign currency are translated as of the reporting date at the exchange rates used by the Group. The resulting gains and losses are recognised in the income statement.

Assets and liabilities denominated in foreign currency:

	<u>31March 2024</u> EUR (thousand)	<u>31March 2023</u> EUR (thousand)
- Assets	5,960,797	4,159,783
- Liabilities	4,791,333	3,762,564

4. Maturity profile

	<u>31March 2024</u> EUR (thousand)	<u>31March 2023</u> EUR (thousand)
Receivables from banks due in		
- payable on demand	146,116	100,103
- up to 3 months	2,305	2,617
- more than 3 months up to 1 year	-	-
Receivables from customers due in		
- payable on demand	1,768,909	1,364,399
- up to 3 months	30,509	25,783
- more than 3 months up to 1 year	-	-
- more than 1 year up to 5 years	-	-
- more than 5 years	-	-

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Maturity profile (continued)

	<u>31March 2024</u> EUR (thousand)	<u>31March 2023</u> EUR (thousand)
Liabilities to banks due in		
- payable on demand	37,136	762
- up to 3 months	-	479
- more than 3 months up to 1 year	-	-
Liabilities to customers with an agreed term or period of notice of		
- payable on demand	2,778	-
- up to 3 months	21,077	452,592
- more than 3 months up to 1 year	236,169	-
- more than 1 year up to 5 years	-	-
- more than 5 years	-	-

5. Relationships with other Nomura Group companies

	<u>31March 2024</u> EUR (thousand)	<u>31March 2023</u> EUR (thousand)
- Receivables from banks	-	-
- Receivables from customers	1,798,893	1,389,342
- Other assets	133,041	49,576
- Liabilities to banks	-	-
- Liabilities to customers	249,336	442,729
- Other liabilities	568,881	359,656
- Subordinated liabilities	185,000	185,000

NFPE has loans from and deposits at entities within the Nomura Group, mainly relating to the reverse repo balance with Nomura Securities International Inc (NSI) of EUR 1,011,281,000 (previous year: EUR 454,705,000) and Nomura International plc, London (NIP) of EUR 758,548,000 (previous year: EUR 910,453,000) in relation to the management of the liquidity pool.

The amounts from reverse repo transactions with Nomura International plc, London (NIP), relate to treasury activities and trading activities and constitute loans to managers. The market conformity checks performed for these transactions did not give rise to any indications of conditions that were not in line with the market.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NFPE has liabilities to group companies in the Netherlands, the UK and Japan, which are recognised in liabilities to customers and other liabilities. They mainly include unsecured loans raised from Nomura Europe Finance N.V. (NEF) in the amount of EUR 239,210,000 (previous year: EUR 432,904,000) and cash collateral of EUR 173,769,000 (previous year: EUR 63,144,000) received from NFPS, which has its registered office in Tokyo.

6. Receivables from banks

The balance of receivables from banks mainly comprises credit balances on nostro accounts amounting to EUR 146,116,000 (previous year: EUR 100,103,000).

7. Receivables from customers

Receivables from customers mainly result from intragroup reverse repo transactions in the amount of EUR 1,769,896,000 (previous year: EUR 1,365,158,000).

8. Trading book positions

As of 31 March 2024, the trading book mainly contains trading activities of Global Markets as part of derivatives and repurchase transactions (repos and reverse repos) with clients in the EU and corresponding transactions with companies in the Nomura Group to transfer market risk. The market risk is transferred to companies belonging to the Nomura Group on the basis of back-to-back transactions. As a result, the trading activities do not contribute significantly to the income of NFPE. NFPE mainly generates income from sales credits from Global Markets. The spot bond positions at year-end arose from timing differences in the settlement of securities that were purchased shortly before the reporting date and resold simultaneously.

The financial instruments in the trading book break down as follows:

	<u>March 2024</u>		<u>March 2023</u>	
	<u>Trading assets</u>	<u>Trading liabilities</u>	<u>Trading assets</u>	<u>Trading liabilities</u>
	EUR (thousand)	EUR (thousand)	EUR (thousand)	EUR (thousand)
Financial derivatives	522,533	768,115	335,882	696,870
Reverse repos/repos	15,225,754	15,216,230	12,203,198	12,111,920
Spot bond positions	9,229	130,808	46,026	5,401
Risk discount	-910	-	-1,545	-
	15,756,606	16,115,153	12,583,561	12,814,191

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Trading book (continued)

Breakdown of financial instrument maturities by product as of the end of March 2024:

	<u>Derivatives</u> <u>Assets</u> EUR (thousand)	<u>Derivative liabilities</u> EUR (thousand)	<u>Nominal value</u> EUR (thousand)
Interest swaps maturing in			
- less than one year	2,503,248	1,699,131	1,057,724,652
- more than one year up to five years	4,392,280	4,017,967	748,457,380
- more than five years	15,505,151	15,150,984	533,792,172
Currency products maturing in			
- less than one year	494,851	496,373	96,183,239
- more than one year up to five years	63,814	65,485	2,859,343
- more than five years	85,369	87,522	2,578,685
Credit default swaps and other instruments maturing in			
- less than one year	269,755	269,755	24,678
- more than one year up to five years	60,905	61,434	563,413
- more than five years	45,648	45,677	222,568
Equity derivatives and other options due in			
- less than one year	104,234	104,234	3,647,529
- more than one year up to five years	223	223	252,290
- more than five years	-	-	-
Total	23,525,478	21,998,785	2,446,305,949
Bilateral and variation margin netting	-23,002,944	-21,230,670	-
	522,534	768,115	2,446,305,949

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Breakdown of financial instrument maturities by product as of the end of March 2023:

	<u>Derivative assets</u> EUR (thousand)	<u>Derivative liabilities</u> EUR (thousand)	<u>Nominal value</u> EUR (thousand)
Interest swaps maturing in			
- less than one year	836,772	945,552	375,458,776
- more than one year up to five years	4,763,845	5,137,792	409,718,718
- more than five years	17,049,242	17,003,282	426,005,545
Currency products maturing in			
- less than one year	389,131	378,850	46,218,928
- more than one year up to five years	68,467	68,887	1,753,289
- more than five years	57,501	58,453	1,790,817
Credit default swaps and other instruments maturing in			
- less than one year	15,181	15,181	53,243
- more than one year up to five years	21,302	21,674	279,900
- more than five years	16,677	16,671	95,031
Equity derivatives and other options due in			
- less than one year	200	200	180,974
- more than one year up to five years	73,210	73,210	2,321,722
- more than five years	-	-	-
Total	23,291,528	23,719,752	1,263,876,943
Bilateral and variation margin netting	-22,955,646	-23,022,882	-
	335,882	696,870	1,263,876,943

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Property and equipment

Property and equipment are used by the headquarters and its branches.

	<u>Assets</u> <u>under</u> <u>construction</u>	<u>Furniture, fixtures</u> <u>and</u> <u>office equip-</u> <u>ment</u>	<u>Total</u>
Acquisition and production cost	EUR (thousand)	EUR (thousand)	EUR (thousand)
As of 1 April 2023	61	6,012	6,073
Additions	1,419	1,820	3,239
Disposals	-	145	145
Reclassifications	-	-	-
As of 31 March 2024	1,480	7,686	9,166
Depreciation and impairment			
As of 1 April 2023	-	2,624	2,624
Additions	-	1,663	1,663
Disposals	-	389	389
Reclassifications	-	-	-
As of 31 March 2024	-	3,897	3,897
Book values			
As of 31 March 2023	61	3,388	3,449
As of 31 March 2024	1,480	3,789	5,269

10. Other assets

Other assets mainly comprise cash collateral paid that is not eligible for offsetting against the negative fair value of trading positions (EUR 385,266,000) and amounts from tax advances (EUR 15,714,000).

11. Liabilities to banks/subordinated liabilities

Liabilities to banks mainly resulted from negative balances on nostro accounts (EUR 37,136,000)

Subordinated liabilities exclusively comprise a loan of EUR 185,000k raised from the shareholder NEHS in financial year 2021/22, for which subordinated status compared with first-class liabilities and equal-ranking status with other subordinated liabilities was contractually agreed. The loan has a term of seven years and the borrower can repay it early under certain conditions. On the basis of the agreed interest conditions (3-month EURIBOR + 185 bp), interest expenses of EUR 10,398,000 (previous year: EUR 4,780,000) were incurred in the financial year.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Liabilities to customers/other liabilities

Liabilities to customers mainly include intragroup loans (EUR 239,885,000, previous year: EUR 433,158,000).

Other liabilities primarily include cash collateral received (EUR 712,335,000, previous year: EUR 455,247,000), as well as current payment obligations to suppliers and tax liabilities (EUR 14,439,000, previous year: 735,000).

13. Provisions for pensions and similar obligations

Pension obligations were valued according to actuarial principles using the projected unit credit method (PUC method). The provision amount factored in trend-based assumptions regarding the future benefit entitlements and pension increases as well as turnover probabilities. The assumptions used in the valuation were as follows:

For pension obligations arising from the head office in Germany:

	Assumptions
Actuarial interest rate p.a	1.83% p.a.
Salary trend p.a.	1.00% p.a.
Increase in the income threshold p.a	2.20% p.a.
Increase in pensions p.a.	2.30% p.a.

Mortality tables used: Heubeck mortality tables (2018 G)

Turnover probabilities based on age and sex were used to account for employee turnover.

The difference in accordance with Sec. 253 (6) HGB based on an average interest rate of 1.80% over seven years amounts to EUR 157,000.

For pension obligations arising from the branch in Switzerland:

	Assumptions
Actuarial interest rate p.a	1.83% p.a.
Salary trend p.a.	2.40% p.a.

The difference in accordance with Sec. 253 (6) HGB based on an average interest rate of 1.80% over seven years amounts to EUR 26,000.

The BVG 2020 demographic principles were applied to account for fluctuation and the likelihood of death and disability.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Other provisions

Other provisions of EUR 54,487,000 (previous year: EUR 68,484,000) mainly comprise provisions for outstanding bonus payments of EUR 24,800,000 (previous year: EUR 22,765,000), for services and deliveries of EUR 18,662,000 (previous year: EUR 35,363,000), levies of EUR 7,028,000 (previous year: EUR 7,640,000), severance costs of EUR 2,417,000 (previous year: EUR 1,096,000) and financial statement audit costs of EUR 1,581,00 (previous year: EUR 1,620,000).

15. Equity

NEHS holds 47,541,970 shares carrying equal rights and NIP holds 2,458,030 shares also carrying equal rights in the capital stock of the Institution, which has the legal form of a German limited liability company [“Gesellschaft mit beschränkter Haftung”: GmbH]. Its capital stock of EUR 50,000,000 is divided into 50,000,000 shares.

	<u>2023/2024</u> <u>Subscribed capital</u> EUR (thousand)	<u>2022/2023</u> <u>Subscribed capital</u> EUR (thousand)
As of 1 April	50,000	50,000
Issued during the year:	-	-
As of 31 March	50,000	50,000

16. Net interest income/expense

The Institution’s interest result mainly relates to interest on borrowings and cash collateral for derivatives. The Institution has a range of negative-interest bearing financial assets and liabilities. Negative interest on financial assets is recognised separately under interest income and negative interest on financial liabilities is recognised separately under interest expenses.

	<u>2023/2024</u> EUR (thousand)	<u>2022/2023</u> EUR (thousand)
Interest on intragroup loans	-35,946	-22,450
Interest on deposits at the Deutsche Bundesbank	-	-1,529
Interest on collateral provided for CCPs for derivative transactions	-49,824	-11,449
Interest on money market deposits	427	-372
Interest on receivables from reverse repo transactions	71,414	18,826
Total	<u>-13,929</u>	<u>-16,974</u>

NOMURA FINANCIAL PRODUCTS EUROPE GmbH**FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****17. Net commission income**

Commission income comprises the income component of the Nomura Group's Investment Banking division of EUR 57,233,000 (previous year: EUR 57,222,000) and income of EUR 33,621,000 (previous year: EUR 32,355,000) from the Global Market division's sales activities which lead to the conclusion of transactions with other companies belonging to the Nomura Group. Commission income from Global Markets and Investment Banking is calculated using the Nomura Group's global transfer pricing agreements

18. Net income/net expense from trading book positions

Net income from trading book positions includes commission income from trading activities with clients and exchange gains and losses from transactions to manage the CVA/FVA risks. This item also includes the VaR discount and allocation to the special item through profit and loss in accordance with Sec. 340e (4) HGB. In the course of the year, 10% of trading income (EUR 5,248,000; previous year: EUR 5,015,000) was allocated to the fund for general banking risks.

Also included in net income from trading book positions is the recognition and reversal of reserves in the balance sheet for CVA/DVA risks.

19. Other operating income

This item mainly includes cost refunds including financing costs under cost allocation arrangements with NIP and other affiliates of EUR 34,610,000 (previous year: EUR 59,060,000).

20. General and administrative expenses

Personnel expenses mainly comprise wages and salaries of EUR 79,342,000 (previous year: EUR 66,463,000) for employees working at the head office and branches as well as social security and pension costs of EUR 16,011,000 (previous year: EUR 14,496,000). Other administrative expenses of EUR 53,519,000 (previous year: EUR 51,220,000) mainly include fees due to a service level agreement with NIP and due to other agreements, consulting costs, rents and technical costs.

21. Other operating expenses

No other operating expenses were incurred in the financial year (previous year: EUR 0).

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Income taxes

	<u>Financial year</u> <u>2023/2024</u> EUR (thousand)	<u>Financial year 2022/2023</u> EUR (thousand)
Corporation tax	8,568	19,284
Trade tax	3,184	4,557
Solidarity surcharge	157	238
Total	11,909	24,079

23. Auditor's fees

The auditor's fees recognised as of 31 March 2024 break down as follows:

	<u>Financial year</u> <u>2023/2024</u> EUR (thousand)	<u>Financial year 2022/2023</u> EUR (thousand)
Audit services	1,357	1,490
Audit-related services	167	192
Tax consultancy services	-	-
Other services	-	-

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Appropriation of profit/loss

It is proposed that the balance sheet profit for the 2023/24 financial year should be fully transferred to the retained earnings.

No interim dividends were distributed and the Management Board recommended that no final dividend be paid for the financial year ending 31 March 2024.

25. Employees, Management Board and Supervisory Board

There were an average of 258 employees (previous year: 231). At the end of the financial year, the Institution had 283 employees (previous year: 234 employees), working in the following areas:

	<u>Financial year as of</u> <u>31 March 2024</u>	<u>Financial year as of</u> <u>31 March 2023</u>
Investment Banking	83	62
Global Markets	85	62
Administration	115	110
Total	283	234

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Employees, Management Board and Supervisory Board (CONTINUED)

During the fiscal year and at the time when the financial statements were prepared, the Management Board was composed of the following persons:

Name	Function	Further activities
Shogo Ohira	Chief Executive Officer (since 1/1/2024)	Supervisor of Chado Urasenke Tankokai Frankfurt Association
	Chief Client Management Officer (until 31/12/2023)	
Christoph Heins	Chief Financial and Administration Officer (since 20/7/2023) and Deputy Chief Executive Officer (since 1/1/2024)	-
Markus Sauerland	Chief Executive Officer (until 31/12/2023)	Member of the supervisory board of Performance One AG (formerly suchdialog AG) Verband der Auslandsbanken in Deutschland e.V., Member of the Board (until 31/12/2023) British Chamber of Commerce, Member of the Regional Committee Rhein Main Member of the Hesse state government's Advisory Board for Development Policy
Hirofumi Misawa	Chief Trading Officer (until 30/6/2023)	Director (non-paid) Mika Misawa Garden Design Ltd.
John Gousias	Chief Trading Officer (since 15/2/2024)	-
Markus Möbius	Chief Risk Officer	Non-Executive Director: Nomura Reinsurance ICC Limited Nomura Reinsurance 1 IC Limited Nomura Reinsurance 5 IC Limited US CB Reinsurance 1 IC Limited Nomura Alternative Investment Management France S.A.S. (since 3/4/2023)
Michael Schmelzer	Chief Financial Officer (until 30/6/2023)	-
Martin Sura	Chief Compliance Officer	-

The remuneration paid to the members of the Institution's Management Board in the course of the year came to EUR 3,045,000 (previous year: EUR 2,722,000). In the reporting year, a total of EUR 64,000 was added for pension commitments (previous year: addition of EUR 175,000).

None of NFPE's other employees performed any supervisory board work in another organisation in the reporting period.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Employees, Management Board and Supervisory Board (CONTINUED)

During the financial year and at the time of preparing the annual financial statements, the Supervisory Board was composed of the following persons:

Supervisory Board members	Further activities	Function
Paul Spanswick (Chairman)	Instinet Europe Limited	Chairman
<i>Position: Executive</i>	Instinet International Limited	Non-Executive Director
	NIH 1 (Guernsey) Limited	Director
	Nomura Reinsurance 5 IC Limited	Non-Executive Director
	Nomura Reinsurance 1 IC Limited	Non-Executive Director
	Nomura Reinsurance ICC Limited	Non-Executive Director
	US CB Reinsurance 1 IC Limited	Non-Executive Director
	Teenage Cancer Trust	Chairman
	The Teenage Trust (Trading) Limited	Director
	Levrara Group	Chairman/Shareholder
	MPCE Limited	Director/Shareholder
	AI Global Investments (UK) PCC Ltd	Non-Executive Director
	Triple Private Equity Ltd	Advisory Board Member
Masato Kohno	Nomura Asset Management Co., Ltd.	Non-Executive Director
<i>Position: Executive</i>	The Nomura Trust and Banking Co., Ltd.	Non-Executive Director
	Nomura Institute of Capital Markets Research	Non-Executive Director
	Nomura Properties, Inc.,	Non-Executive Director
	Nomura Asia Pacific Holdings Co., Ltd	Representative Director
	Nomura Asia Investment (Singapore) Pte. Ltd.	Director
John Tierney	Nomura Bank International PLC	Director, CEO
<i>Position: Executive</i>	Nomura Europe Holdings PLC	Director
	Nomura International PLC	Director
	Nomura Bank Luxembourg S.A.	Director
	Nomura Asset Management UK	Director
Neeta Atkar	Nomura Europe Holdings plc	Non Executive Director
<i>Position: Executive</i>	Nomura Bank International plc	Non-Executive Director
	Quilter plc	Non-Executive Director
	Nomura International Plc	Non-Executive Director
Dr Gabriele Apfelbacher	Kroll Bond Rating Agency Europe Limited	Non-Executive Director
<i>Position: Lawyer</i>		

The remuneration paid to the members of the Institution's Supervisory Board in the course of the year came to EUR 98,000 (including VAT) (previous year: EUR 95,000). No pension commitments were made to the members of the Supervisory Board.

26. Subsequent events

No further significant events that would have an impact on the Institution's assets, liabilities, financial performance and financial position occurred after the close of the financial year.

NOMURA FINANCIAL PRODUCTS EUROPE GmbH

FINANCIAL YEAR FROM 1 APRIL 2023 TO 31 MARCH 2024

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Intercompany relationships

The ultimate parent company and controlling party that controls the largest group of companies for which consolidated financial statements are prepared is NHI, which is registered in Japan. A copy of the consolidated financial statements of Nomura Holdings, Inc. is available from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan.

The parent company which controls the smallest group of companies is NEHS, with its registered office at 1 Angel Lane in London, EC4R 3AB, UK.

With effect from 1 October 2023, NFPE has taken over the assets and liabilities of Nomura Greentech Capital Advisors AG, Zurich, Switzerland, (NGCA AG) as part of a business transfer.

As part of the transferred assets, a 100% interest in Nomura Greentech Capital Advisors SAS, Paris, France, (NGCA SAS) was acquired by NGCA AG. NGCA SAS was merged into NFPE with effect from 30 November 2023 as part of the legal succession.

Frankfurt am Main, 20 June 2024

Nomura Financial Products Europe GmbH

The Management Board

Shogo Ohira

Christoph Heins

John Gousias

Markus Möbius

Martin Sura

INDEPENDENT AUDITOR'S REPORT

Addressed to Nomura Financial Products Europe GmbH

Audit opinions

We have audited the annual financial statements of Nomura Financial Products Europe GmbH, Frankfurt am Main, which comprise the balance sheet as of 31 March 2024, the income statement for the financial year from 1 April 2023 to 31 March 2024 (financial year 2023/2024), and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Nomura Financial Products Europe GmbH for the financial year from 1 April 2023 to 31 March 2024.

In our opinion, on the basis of the knowledge obtained in the audit,

- the enclosed annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the assets, liabilities and financial position of the Institution as of 31 March 2024 and of its financial performance for the financial year from 1 April 2023 to 31 March 2024 in compliance with German Generally Accepted Accounting Principles, and
- the enclosed management report as a whole provides an appropriate view of the Institution's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for our audit opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Accounting Principles for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Institution in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and for ensuring that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German Generally Accepted Accounting Principles. In addition, the executive directors are responsible for implementing any internal controls they, in accordance with German Generally Accepted Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to the going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance refers to a high level of assurance, but does not constitute a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Principles for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of readers taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual financial statements and in the management report, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German Generally Accepted Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Düsseldorf, 20 June 2024

Ernst & Young GmbH
Auditing firm

Gundelach
Auditor

Ommerborn
Auditor