NOMURA BANK INTERNATIONAL PLC

INTERIM REPORT
30 September 2014

COMPANY REGISTRATION NUMBER 1981122

NOMURA

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED)

The Interim Report is comprised of a Management Report and the condensed consolidated financial statements of Nomura Bank International plc (the "Bank") for the period from 1 April 2014 to 30 September 2014. The Bank is incorporated in England and Wales and its registered office is 1 Angel Lane, London, EC4R 3AB.

MANAGEMENT REPORT

PRINCIPAL ACTIVITIES

The Bank's primary role is to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group (Nomura Holdings, Inc. ("NHI") and its consolidated subsidiaries). Its principal activities include:

- Issuance of guaranteed credit and equity-linked notes and certificates;
- Provision of sub-participations and structured loans (including bridge and warehouse financing);
- Purchase of structured credit assets and structured loans;
- Traditional banking products such as loans and credit facilities in major currencies, repurchase and reverse repurchase transactions, letters of credit and guarantees; and
- Taking deposits (including foreign exchange and other reference-linked deposits).

During the period the Bank continued its note issuance business. The Bank has a number of platforms for the issuance of debt which allows it to issue equity-linked notes and certificates and credit-linked notes and warrants to investors, which includes notes that are traded on exchanges. In addition to the above, the Bank continues to provide loan facilities to clients across a wide variety of industries, including power and gas, telecommunications and fast moving consumer goods.

The Bank has branches in Milan, Italy and Labuan, Malaysia, as well as representative offices in China and Turkey and a subsidiary in China.

DIRECTORS

The current Directors and those who served during the period are as shown below:

Kieran Poynter*	Non Executive Director and Chairman
Paul Spanswick	Chief Executive Officer
Masafumi Nakada	Executive Director (resigned 15 May 2014)

* Member of the Audit Committee of the Board

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Bank's key financial performance indicators during the period are as shown below:

	Period Ending 30 Sept 2014	Period Ending 30 Sept 2013
	$'000	$'000
Operating (loss)/income	(26,086)	36,051
(Loss)/profit on ordinary activities before taxation	(65,913)	4,070
(Loss)/profit on ordinary activities after taxation	(66,606)	3,614

	30 Sep 2014	31 Mar 2014
	$'000	$'000
Total assets	11,591,320	10,725,696
Total liabilities	11,181,061	10,248,641
Shareholders' Fund	410,259	477,055

The Bank engages in a global note issuance business, which constitutes the majority of the Bank's liabilities. The Bank's other business is predominantly with affiliated companies in the United Kingdom.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)

The Bank reported a loss on ordinary activities before tax for the period ending 30 September 2014 of $65,913,126 (period ending 30 September 2013: profit before tax of $4,070,000). This is largely attributable to the tightening of Nomura Group own credit spreads, which has adversely impacted the Bank's results during this period. The impact of own credit included within the loss on ordinary activities before tax was a loss of $39,704,149, compared to the $21,505,401 own credit gain recorded in the period ending 30 September 2013.

During the period the Bank's investment in its subsidiary was reviewed for impairment with the result that the Bank reported an impairment loss of $33,076,000. Furthermore, the investment has been classified as held for sale. This decision was made as part of the Nomura Group's ongoing reviews of its legal entity strategy.

The Bank outsources a significant proportion of its support services under service level agreements to the related departments of Nomura International plc ("NIP"). The Treasury department continues to manage the liquidity of the Bank and provide asset and liability management for the balance sheet.

For the year ending 31 March 2015, the Bank will continue to focus on its activities to support the Global Wholesale Business, predominantly the Global Markets Division, of the Nomura Group.

RISK MANAGEMENT

The Bank's market, credit, liquidity and operational risk are managed through its Executive Management and Risk Committee ("EMRC"), which is chaired by the Chief Operating Officer of the Bank. The EMRC members also include the Bank's Chief Legal Officer (also the Deputy Chairman of the EMRC), Chief Executive Officer, the Head of Credit Risk for the Europe, Middle East and Africa region ("EMEA"), the Head of Market Risk for EMEA, the Head of Operational Risk Management for EMEA, the EMEA Treasurer, and representatives from New Business, Finance Operational Risk, and Global Markets.

In addition, issues relating to conflicts as well as the Bank's legal risks, reputational risks and cross-border booking risks are delegated to, and managed by the appropriate committees of Nomura Europe Holdings plc ("NEHS"), the Bank's immediate parent. In particular, the NEHS Prudential Risk Committee is responsible for providing oversite of and guidance to the Directors on the risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework for the Bank, as well as the wider NEHS Group (being NEHS, its subsidiaries and European entities). The Bank's financial risk management objectives and policies are disclosed in note 17 of its statutory financial statements for the year to 31 March 2014. The Bank's principal risks and uncertainties have not changed in the period ending 30 September 2014.

GOING CONCERN

The Bank's business activities, together with the factors likely to affect its future development, performance and position are set out in this Report. In addition, notes 17 and 20 of the statutory financial statements for the year to 31 March 2014 describe the Bank's objectives, policies and processes for risk management and capital management, as well as its exposures to credit and liquidity risk.

The Directors consider the Bank's capital position to be strong, given that the Bank hedges its market risk. Whilst the Bank has significant exposure to Nomura Group companies, and in particular to NIP, this is minimised through significant collateralisation. The Bank's net exposures with NIP are also supported by a limited written guarantee from the Bank's ultimate parent, NHI.

The maturity profile of the Bank's liabilities is typically much longer dated than that of its assets, minimising the risk of the Bank not being able to meet its obligations as they fall due.

The Directors are not aware of any material uncertainties related to events or conditions that cast doubt about the ability of the Bank to continue as a going concern. They have therefore prepared the financial statements on a going concern basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors confirm that, to the best of their knowledge, the condensed set of financial statements on pages 5 to 21 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the European Union and that the interim management report on pages 1 to 3 includes a fair review of the information required by the Disclosure and Transparency Rules of the FCA.

By Order of the Board at a meeting held on 13 November 2014
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Andrew Eames,
Company Secretary
21 November 2014
Company Registration Number: 1981122

NOMURA BANK INTERNATIONAL PLC

INDEPENDENT REPORT TO NOMURA BANK INTERNATIONAL PLC FOR THE PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED)

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the period ending 30 September 2014 which comprises a consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated cash flow statement and related notes 1 to 7. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the period ending 30 September 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London, November 2014

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED)

	Note	Group Period Ending 30 September 2014 $'000	Group Period Ending 30 September 2013 $'000
INCOME			
Interest income and similar income		23,539	25,592
Interest expense and similar charges		(7,374)	(13,697)
NET INTEREST INCOME		16,165	11,895
Fee and commission income		62,216	67,547
Fee and commission expense		(2,444)	(5,439)
Dealing loss		(102,023)	(37,952)
TOTAL OPERATING (LOSS)/ INCOME		(26,086)	36,051
Administrative expenses		(6,751)	(11,261)
Impairment of intangible assets		(2,126)	-
Impairment of goodwill		(30,950)	(20,720)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(65,913)	4,070
Tax charge on (loss)/profit on ordinary activities	2	(693)	(456)
(LOSS)/PROFITFOR THE PERIOD		(66,606)	3,614
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency gains		(190)	57
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(66,796)	3,671

All gains and losses noted above are derived from continuing activities.

Included within the dealing loss for the period is a loss of $39,704,149 in relation to changes in own credit risk (2013: gain of $21,505,401). These gains and losses arise on financial instruments designated at fair value through profit and loss.

As part of the Nomura Group's ongoing reviews of its legal entity strategy, the Bank's investment in its subsidiary was reviewed for impairment during the period. Following this, the goodwill and intangible assets relating to this investment have been impaired by $30,950,205 and $2,126,147 respectively, resulting in the Bank reporting an overall impairment loss of $33,076,352. The fair value less costs to sell was determined by references to price to book ratio of other similar market transactions, adjusted for relevant factors.

The notes on pages 12 to 21 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED)

	Called-up share capital $'000	Retained earnings $'000	Other Reserve $'000	Total shareholder's equity $'000
As at 1 April 2014	555,000	(78,048)	103	477,055
Loss for the period	-	(66,606)	-	(66,606)
Foreign currency losses	-	-	(190)	(190)
Total comprehensive income	-	(66,606)	(190)	(66,796)
As at 30 September 2014	555,000	(144,654)	(87)	410,259

	Called-up share capital $'000	Retained earnings $'000	Other Reserve $'000	Total shareholder's equity $'000
As at 1 April 2013	555,000	29,952	23	584,975
Loss for the period	-	3,614	-	3,614
Foreign currency gains	-	-	57	57
Total comprehensive income	-	3,614	57	3,671
As at 30 September 2013	555,000	33,566	80	588,646

Foreign exchange gains and losses resulting from retranslation will be recognised into the consolidated statement of comprehensive income on the disposal of the foreign entity.

Foreign currency translation gains/losses are due to the Bank's branch in Italy. These gains/losses may be reclassified to the income statement in subsequent periods.

The notes on pages 12 to 21 form part of these financial statements.

No Company Statement of Changes in Equity for the half years ended 30 September 2014 or 2013 has been prepared as there are no material differences to the above Consolidated Statements.

NOMURA

NOMURA BANK INTERNATIONAL PLC

CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014 (UNAUDITED)

		Group		Company	
	Note	September 2014 $'000	March 2014 $'000	September 2014 $'000	March 2014 $'000
Assets					
Loans and advances to banks		2,500	14,599	2,500	14,295
Derivative financial instruments	3	921,773	778,857	921,773	778,857
Equity Securities held for trading		-	565	-	565
Loans and advances to affiliates		30,416	31,152	30,416	31,152
Securities purchased under agreements to resell		9,463,965	8,817,075	9,463,965	8,817,075
Loans and advances to others		123,424	156,500	123,424	139,200
Prepayments and accrued income		12,244	12,951	12,244	12,857
Other assets		42,984	70,473	42,984	70,350
Financial assets designated at fair value through profit and loss	3				
- Secured lending		757,634	585,784	757,634	585,784
- Other financial instruments		217,130	224,195	217,130	224,195
Available-for-sale financial investments		12	14	12	14
Goodwill and intangible assets		-	33,483	-	-
Fixed assets		31	48	31	34
Investments in group undertakings		-	-	20,410	51,360
Assets classified as held for sale	7	19,207	-	-	-
Total assets		11,591,320	10,725,696	11,592,523	10,725,738
Liabilities					
Customer accounts		204	223	204	223
Derivative financial instruments	3	1,413,317	1,127,239	1,413,317	1,127,239
Accruals and deferred income		129,339	121,066	129,339	120,969
Borrowing from affiliates		603,686	317,647	603,686	317,647
Borrowing from others		29,088	19,294	29,088	19,294
Securities sold under agreements to repurchase		1,631,874	1,678,523	1,631,874	1,678,523
Financial liabilities designated at fair value through profit and loss	3				
- Bonds and medium-term notes		7,338,335	6,973,525	7,338,335	6,973,525
- Other financial instruments		2,792	6,086	2,792	6,086
Other liabilities		32,219	5,038	32,264	5,099
Liabilities directly associated with assets classified as held for sale	7	207	-	-	-
Total liabilities		11,181,061	10,248,641	11,180,899	10,248,605
Shareholders' funds					
Called up share capital		555,000	555,000	555,000	555,000
Retained earnings		(144,654)	(78,048)	(143,289)	(77,970)
Other reserve		(87)	103	(87)	103
Total equity		410,259	477,055	411,624	477,133
Total liabilities and equity		11,591,320	10,725,696	11,592,523	10,725,738

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014 (UNAUDITED)

Approved by the board of Directors on 13 November 2014 and signed on its behalf by:

Paul Spanswick, Director.

The notes on pages 12 to 21 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED)

	Group Period Ending 30 September 2014 $'000	Group Period Ending 30 September 2013 $'000
Operating activities		
(Loss)/profit before tax	(65,913)	4,070
Non-cash adjustments to reconcile profit/(loss) for the period to net cash flows		
Impairment of goodwill and other intangibles	33,076	20,720
Amortisation of goodwill and other intangibles	39	38
Depreciation on fixed assets	3	31
Foreign exchange revaluation	(190)	57
Change in operating assets and liabilities		
Net change in loans and advances to affiliates	736	172,774
Net change in loans and advances to others	33,076	4,027
Net change in borrowing from banks and other customers	9,794	82,043
Net change in borrowings from affiliates	286,039	833,757
Net change in financial assets designated at fair value through profit and loss	(164,785)	300,175
Net change in Equity Securities	565	
Net change in financial liabilities designated at fair value through profit and loss	(153,615)	(62,170)
Net change in available-for-sale assets	-	-
Net change in derivative assets	(142,916)	331,782
Net change in derivative liabilities	286,078	(144,693)
Net change in securities purchased under agreements to resell	(646,890)	336,013
Net change in securities sold under agreements to repurchase	(46,649)	(1,475,798)
Net change in other assets	27,870	86,010
Net change in other liabilities	24,133	105,750
Net change in assets classified as held for sale	(19,207)	(59,454)
Net change in liabilities directly associated with assets classified as held for sale	207	384
Net change in prepayments and accrued income	707	480
Net change in accruals and deferred income	8,273	15,523
Income tax paid	(955)	(38,828)
Net cash flow provided by operating activities	(530,524)	512,691

The notes on pages 12 to 21 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED)

	Group Period Ending 30 September 2014 $'000	Group Period Ending 30 September 2013 $'000
Financing activities		
Proceeds of borrowings and issuance of debt	1,105,807	236,415
Repayments of borrowings and redemption of debt	(587,382)	(816,375)
Net cash flow in or (out) relating to financing activities	518,425	(579,960)
Net decrease in cash and cash equivalents	(12,099)	(67,269)
Cash and cash equivalents at the beginning of the period	14,599	84,841
Cash and cash equivalents at the end of the period	2,500	17,572
Included within operational cash flows		
Interest paid	5,769	6,655
Interest received	22,990	25,409

The notes on pages 12 to 21 form part of these financial statements.

No Company Statements of Cash Flows for the half years ended 30 September 2014 or 2013 have been prepared as there are no material differences to the above Consolidated Statements.

NOMURA BANK INTERNATIONAL PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED) (CONTINUED)

ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET:

30 September 2014

	30 September 2014 $'000	Cash Flow $'000	31 March 2014 $'000
Loans and advances to other banks repayable on demand	2,500	(12,099)	14,599
Net Cash and Cash Equivalents	2,500	(12,099)	14,599

31 March 2014

	31 March 2014 $'000	Cash Flow $'000	31 March 2013 $'000
Loans and advances to other banks repayable on demand	14,599	(70,242)	84,841
Net Cash and Cash Equivalents	14,599	(70,242)	84,841

30 September 2013

	30 September 2013 $'000	Cash Flow $'000	31 March 2013 $'000
Loans and advances to other banks repayable on demand	17,572	(67,269)	84,841
Net Cash and Cash Equivalents	17,572	(67,269)	84,841

NOMURA BANK INTERNATIONAL PLC

PERIOD ENDING 30 SEPTEMBER 2014 (UNAUDITED)

NOTES TO INTERIM REPORT

1. ACCOUNTING POLICIES

(a) Basis of Accounting

These condensed consolidated interim financial statements as at and for the half-year to 30 September 2014 of Nomura Bank International plc (the "Bank" or the "Company") and its subsidiary undertaking, collectively "the Group", have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("FCA") and with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ending 31 March 2014 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments held at fair value through profit and loss, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The condensed consolidated financial statements have been prepared on a going concern basis. The condensed consolidated financial statements are presented in United States dollar ("USD"), and all values are rounded to the nearest thousand USD except where otherwise stated. The information presented in this interim report does not constitute statutory accounts for the purposes of s435 of the Companies Act 2006. A copy of the statutory accounts for the year ending 31 March 2014 has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with s495 of the Companies Act 2006. The audit report did not contain a statement under s498 of the Companies Act 2006, nor did it include references to any matters to which the auditor drew attention by way of emphasis.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2014.

(b) Fair Values

The Bank holds a significant portion of financial instruments at fair value, as described below. A description of the Bank's policies with regards to its application of fair value measurements to significant financial instruments is as follows:

(i) Valuation of fair value instruments

The fair value of financial instruments is the amount that would be exchanged in an orderly transaction between market participants.

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-trading securities and derivatives is based on quoted market prices on exchanges or other broker/dealer quotations.

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics.

1. ACCOUNTING POLICIES (CONTINUED)

(i) Valuation of fair value instruments (Continued)

These models also incorporate adjustments relating to counterparty and the Bank's own credit risk, the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific inputs which are unobservable in the market.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognised, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Any changes in the fixed income, equity, foreign exchange and commodity markets can impact the Bank's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Bank's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base assumptions underlying valuation pricing models.

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e. a net financial asset) or transfer a net short position (i.e. a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

(c) Significant accounting judgments, estimates and assumptions

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. For the period condensed consolidated financial statements, the accounting policies, significant accounting judgements, estimates and assumptions are consistent with those applied by the Group in its 2014 annual report and accounts except for the adoption of new standards and interpretations as at 1 April 2014 noted in note (f) below.

(d) Segment reporting

Substantially all of the Bank's gross assets, gross liabilities, net assets and profit before taxation arose from one business segment involving financing activities. The majority of the notes are issued to European institutions. Certain receivables and derivatives are transacted with the Nomura Group. Consequently, a significant portion of the revenues are derived from within the Nomura Group.

(e) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

The Group does not have any operations classified as discontinued operations as at 30 September 2014.

1. ACCOUNTING POLICIES (CONTINUED)

(f) New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ending 31 March 2014, except for the adoption of new standards and interpretations as of 1 April 2014, noted below:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments are effective from 1 April 2014. These amendments have no impact on the Group.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective subject to EU endorsement and, thus, for periods beginning at 1 April 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective subject to EU endorsement and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

(g) Retained Profit for the period

In accordance with S.408 Companies Act 2006, the Bank has taken advantage of the dispensation not to produce its own statement of comprehensive income. Of the profit transferred to reserves, a loss $65,509,000 of (half year ended 30 September 2013: profit of 3,815,000) has been dealt with in the accounts of the Company.

2. TAXATION ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	Period ending 30 September 2014 Group **$'000**	Period ending 30 September 2013 Group **$'000**
Current tax:		
UK Corporation tax at 21% (2014: 23%)	-	-
Adjustment in respect of previous periods	-	44
Foreign tax suffered	(693)	(565)
	(693)	(521)
Deferred taxation:		
Current year temporary differences	-	65
Tax charge on profit/(loss) on ordinary activities	(693)	(456)

(b) RECONCILIATION OF CORPORATION TAX CREDIT/(CHARGE)

	Period ending 30 September 2014 Group **$'000**	Period ending 30 September 2013 Group **$'000**
Net (loss)/profit before tax	(65,913)	4,070
UK Corporation tax credit/(charge) at 21% (2014: 23%)	13,842	(936)
Unutilized losses for the period carried forward	-	855
Expenses not deductible for tax purposes	151	(10)
Impairment of Goodwill	(6,946)	-
Deductions not included in profit before tax	-	123
Unutilised tax losses	(6,960)	-
Non-recognition of current year short-term temporary differences	(173)	-
Foreign tax relief	71	-
Effect of change in tax rates	15	-
Foreign tax suffered	(693)	(535)
Adjustments in respect of previous years	-	44
Effect of change in tax rates	-	3
Income tax expense reported in the consolidated statement of comprehensive income	(693)	(456)

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities accessible by the Bank at the measurement date.

Level 2 Quoted prices in inactive markets or prices containing other inputs which are observable, either directly or indirectly. Valuation techniques using observable inputs reflect assumptions used by market participants in pricing financial instruments and are based on data obtained from independent market sources at the measurement date.

Level 3 Unobservable inputs that are significant to the fair value measurement of the financial instrument. Valuation techniques using unobservable inputs reflect management's assumptions about the estimates used by other market participants in valuing similar financial instruments. These valuation techniques are developed based on the best available information at the measurement date.

The following tables presents information about the Bank's financial assets and financial liabilities measured at fair value within the fair value hierarchy, based on the transparency of inputs into the valuation techniques used by the Bank to determine such fair values.

Fair value hierarchy – Assets

30 September 2014:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial assets				
Financial assets held for trading:				
- Derivatives	-	759,888	161,885	921,773
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	757,634	-	757,634
- Other financial instruments	-	6,965	210,165	217,130
	-	1,524,487	372,050	1,896,537
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	938,895	474,422	1,413,317
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	7,338,335	-	7,338,335
- Other financial instruments	-	2,792	-	2,792
	-	8,280,022	474,422	8,754,444

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy – Assets

31 March 2014:	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
Financial assets				
Financial assets held for trading:				
- Equities	-	-	565	565
- Derivatives	-	581,144	197,713	778,857
Financial assets designated at fair value through profit and loss:				
- Secured lending	-	585,784	-	585,784
- Other financial instruments	-	10,482	213,713	224,195
	-	1,177,410	411,991	1,589,401
Financial Liabilities				
Financial liabilities held for trading:				
- Derivatives	-	703,624	423,615	1,127,239
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium-term notes	-	6,973,525	-	6,973,525
- Other financial instruments	-	6,086	-	6,086
	-	7,683,235	423,615	8,106,850

The Bank assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place. Amounts reported below therefore represent the fair value of the financial instruments at the beginning of the relevant quarter when the transfer was made.

4. VALUATION PROCESSES

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements including those classified as Level 3 within the fair value hierarchy, the Bank operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the businesses assuming the risk of the financial instrument. Such functions within Nomura Group with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Product Control Valuations Group ("PCVG") within Nomura's Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument. While it is the responsibility of our businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer ("CFO") of Nomura Group;

- The Accounting Policy Group ("APG") within Nomura's Finance Department defines the Group's accounting policies and procedures, including those associated with determination of fair value. This group reports to the Global Head of Accounting Policy and ultimately to the CFO of Nomura Group; and

- The Global Model Validation Group ("MVG") within Nomura's Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. The group reports to the Global Head of Market and Quantitative Risk of Nomura Group.

Sensitivity of fair value to changes in unobservable inputs

Level 3 financial instruments are often hedged with instruments within level 1 or level 2 of the fair value hierarchy and the gains or losses below do not reflect the offsetting gains or losses for these hedging instruments. Additionally, due to these hedging arrangements no effect of reasonably possible alternative assumptions has been disclosed as a change in any assumption would cause a similar offsetting effect to the hedging instruments' fair value. Level 3 instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realised and unrealised gains and losses resulting from movements in both observable and unobservable parameters.

Movements in Level 3 financial instruments

Period ending 30 September 2014 Group	At 1 April 2014	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 30 September 2014	Unrealised Total gains (losses)in P&L
$'000s							
Financial assets							
Financial assets held for trading:							
- Equity Securities	565	-	-	(565)	-	-	-
- Derivatives	197,713	30,059	-	(18,625)	(47,262)	161,885	30,621
Financial assets designated fair value through profit and loss:							
- Other financial instruments	213,713	(3,539)	(9)	-	-	210,165	(3,548)
	411,991	26,520	(9)	(19,190)	(47,262)	372,050	27,073

4. VALUATION PROCESSES (CONTINUED)

Half year ended 30 September 2014 Group	At 1 April 2014	Total gains (losses) in P&L	Net cash (in)/out	Settle-ments	Net transfers in/(out) of level 3	At 30 September 2014	Unrealised Total gains (losses)in P&L
$'000s							
Financial liabilities							
Financial liabilities held for trading:							
- Derivatives	423,615	981	-	(12,533)	62,359	474,422	11,197
	423,615	981	-	(12,533)	62,359	474,422	11,197

Total gains and losses on financial liabilities included in the above tables are included in 'Dealing losses' in the profit and loss account.

There are no financial instruments whose carrying amounts differ materially to their fair values.

During the period, financial assets and liabilities were transferred into Level 3 as certain parameters became unobservable and transferred out from Level 3 as certain market parameters became observable.

5. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

Financial guarantee contracts

The Bank provides certain financial guarantees to third parties over their exposure to Nomura group companies. At 30 September 2014 the maximum exposure on these financial guarantee contracts amounted to $211,673,959 (31 March 2014: $142,609,914)

Performance guarantee

The Bank has provided a guarantee of up to €18 million to Nomura Global Financial Products Inc. ("NGFP") a fellow Nomura group company, based in the United States against non-payment of any penalty imposed on NGFP in administrative proceedings in the Region of Calabria. The administrative proceedings relate to derivatives transactions entered into with the Region by NIP and NGFP between 2004 and 2006. On 6 November 2014 the Court of Catanzaro in Calabria issued a formal decree dismissing any administrative proceedings against NIP or NGFP. The decision will not be appealed by the Public Prosecutor in Calabria and the guarantee is therefore no longer binding and effective.

Commitments

The Bank had commitments as at 30 September 2014 amounting to $1,851,953,774 (31 March 2014: $2,047,166,508) in respect of undrawn note issuance facilities and loan commitments. The loan commitments are sub-participated to NIP on commitment date.

6. RELATED PARTY TRANSACTIONS

The Bank enters into various transactions with other companies under common control within the Nomura Group which are at an arm's length basis.

a. Transactions with NIP

i. The Bank has secured financing and collateralised lending receivables owing from NIP in the amount of $10,071,100,202 as at 30 September 2014 (31 March 2014: $9,263,661,034). Prepayments including interest receivables owing from NIP amounted to $10,440,066 as at 30 September 2014 (31 March 2014: $11,721,283)

ii. The Bank enters into derivative agreements with NIP to hedge the market risk on medium term notes issued. The fair value of the derivatives assets with NIP is $886,728,618 as at 30 September 2014 (31 March 2014: $723,724,703) and the fair value of derivative liabilities with NIP is $1,161,622,010 (31 March 2014: $1,066,212,651). The bank received cash collateral of $494,018,656 as at 30 September 2014 from NIP to cover derivative exposure and combination of cash and fair value of securities received (31 March 2014: $229,225,453).

iii. The Bank has other receivables due from NIP of $43,948,723 (31 March 2014: $45,845,966) and other payables due to NIP of $59,073,619 (31 March 2014: $102,322,938).

iv. The Bank advanced a loan to NIP to the amount of $415,967 (31 March 2014 1,152,138.

v. The Bank has secured financing payables owing to NIP of $150,498,211 (31 March 2014: $139,197,990).

vi. The Bank benefits from a written guarantee from its ultimate parent, NHI, over its exposure to NIP.

vii. The Bank's obligation to pay the UK Bank Levy in both the current year and prior year has been settled by NIP, who are responsible for reporting and paying the bank levy on behalf of the Nomura UK tax group.

b. Transactions with Nomura Bank (Luxembourg) S.A. ("NBL")

i. The Bank has secured financing payables owing to NBL of $631,375,312 (31 March 2014: $689,325,247).

ii. The Bank has other payables due from NBL of $10,337,017 (31 March 2014: $10,660,606).

c. Transactions with other Nomura group companies

i. The Bank has entered into derivative agreements with other Nomura group companies. The fair value of these derivative assets is $2,981,335 as at 30 September 2014 (31 March 2014: $3,354,157), and the fair value of derivative liabilities owed to these related parties is $1,297,925 as at 30 September 2014 (31 March 2014: $1,560,240).

ii. The Bank has an investment of $300,000,000 in vanilla floating rate notes issued by a related party (31 March 2014: $300,000,000).

iii. The Bank has overdrafts and borrowings due to other Nomura group companies of $33,200,000 as at 30 September 2014 (31 March 2014: $30,000,000) and loans and advances due from other Nomura group companies of $30,000,000 as at 30 September 2014 (31 March 2014: $30,000,000).

There were no impairment losses on any of the above disclosed related party receivables in the periods ending 30 September 2014 and 2013.

7. DISPOSAL OF THE BANK'S SUBSIDIARY

As part of the Nomura Group's review of its legal entity strategy, the Bank has classified its investment in this subsidiary as held for sale; hence it is measured at the lower of its carrying amount or fair value less costs to sell. As a result, the Bank recognised an impairment loss of $33,076,351 of which $30,950,205 was allocated to its goodwill and $2,126,147 was allocated to Intangible Assets.

The carrying amounts of the major classes of assets and liabilities of the subsidiary, post the impairment event, as at 30 September 2014 are as follows:

	Carrying amount
	$'000
Assets	
Loans and advances to banks	18,428
Intangible assets	368
Other Asset	411
Total assets	19,207
Liabilities	
Other liabilities	(207)
Total liabilities	(207)
Net Assets of disposal entity	19,000