Company Registration No. 201212290E

Nomura International Funding Pte. Ltd.

Unaudited Condensed Interim Financial Statements
For the nine-months period ended 31 December 2022

Director's report
For the nine-months period ended 31 December 2022 (unaudited)

The interim report comprised of the director report and the condensed interim financial statements of Nomura International Funding Pte. Ltd. (the "Company") for the nine-months period ended 31 December 2022. The Company is incorporated in Singapore and its registered office is 10 Marina Boulevard, Marina Bay Financial Centre Tower 2, #36-01, Singapore 018983.

Principal activities

The principal activity of the Company is that of issuance of structured credit, interest rate, equity and foreign exchange linked notes for the global markets international business outside of Japan.

Directors

The directors of the Company in office at the date of this report are:

Alok Vimalkishore Tapadia
Christopher Michael Mason Darke
Kelvin Ho Teik Chye
Kenichiro Asano

Risk management

The Company is exposed to a variety of financial risks, including the effects of changes in foreign exchange rates, interest rates, credit risk and liquidity risk.

Managing these financial risks forms an integral part of the Company's business. The Company's risk management policy encompasses a variety of controls and reporting processes. These include the parameters for the risks that the Company may undertake for the various financial instruments, guidelines for accepting customers and the terms under which customer business is conducted. The Company believes it has effective processes in place to identify measure, monitor and mitigate these financial risks.

Going concern

The interim financial statements are prepared on a going concern basis.

The Directors are not aware of any material uncertainties related to events or conditions that cast doubt about the ability of the Company to continue as a going concern.

Nomura International Funding Pte. Ltd.

Director's report
For the nine-months period ended 31 December 2022 (unaudited)

Directors' responsibility in respect of the interim financial statements

The Directors confirm that, to the best of their knowledge, the interim financial statements have been prepared in accordance with International Accounting Standard ("IAS 34") and have approved the interim financial statements.

On behalf of the Board of Directors:

Alok Vimalkishore Tapadia
Director

Singapore
27 February 2023

Nomura International Funding Pte. Ltd.

Independent review report
For the nine-months period ended 31 December 2022 (unaudited)

Independent review report to the member of Nomura International Funding Pte. Ltd.

Introduction

We have reviewed the accompanying interim condensed balance sheet of Nomura International Funding Pte. Ltd. as at 31 December 2022 and the related condensed interim statements of comprehensive income for current period and nine months then ended, changes in equity and cash flows for the nine-months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, 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 Singapore Standards on Auditing 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 accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Use of our report

This report is made solely to the Company with guidance contained in the Singapore Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Accounting Standards Council Singapore. 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.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

27 February 2023

Nomura International Funding Pte. Ltd.

Condensed interim statement of comprehensive income
For the nine-months period ended 31 December 2022 (unaudited)

	Notes	For the nine months ended 31 December 2022 USD'000	For the nine months ended 31 December 2021 USD'000
Interest income	3	262,641	124,496
Interest expense		(820)	(13)
Net interest income		261,821	124,483
Net losses from trading activities	4	(261,580)	(111,660)
Other income	5	3,143	2,998
Profit before operating expenses		3,384	15,821
Staff costs	6	(104)	(111)
Other operating expenses	7	(57,906)	(6,932)
Total operating expenses		(58,010)	(7,043)
Less: Allowance for impairment	8	(317)	(367)
(Loss)/profit before taxation		(54,943)	8,411
Taxation		8,531	(1,453)
(Loss)/profit for the period		(46,412)	6,958
Other comprehensive income		233,871	4,047
Total comprehensive income for the period		187,459	11,005

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Nomura International Funding Pte. Ltd.

Condensed interim statement of comprehensive income
For the three-months period ended 31 December 2022 (unaudited)

	Notes	For the three months ended 31 December 2022 USD'000	For the three months ended 31 December 2021 USD'000
Interest income	3	125,726	41,180
Interest expense		(608)	(5)
Net interest income		125,118	41,175
Net losses from trading activities	4	(120,199)	(40,899)
Other income	5	1,116	842
Profit before operating expenses		6,035	1,118
Staff costs	6	(31)	(34)
Other operating expenses	7	(18,991)	(4,215)
Total operating expenses		(19,022)	(4,249)
Less: Write-back of/(allowance for) impairment	8	17	(4)
Loss before taxation		(12,970)	(3,135)
Taxation		1,770	525
Loss for the period		(11,200)	(2,610)
Other comprehensive income		48,019	20,047
Total comprehensive income for the period		36,819	17,437

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Nomura International Funding Pte. Ltd.

Condensed interim balance sheet
As at 31 December 2022 (unaudited)

	Notes	As at 31 December 2022 USD'000	As at 31 March 2022 USD'000
Assets			
Cash and cash equivalents	9	446,069	224,344
Derivative financial instruments	17(a)	786,405	1,045,923
Financial assets designated at fair value through profit or loss	10	107,112	30,006
Loans	11	8,147,892	9,240,403
Other assets	12	2,187,156	1,466,490
Right-of-use assets		4	9
Deferred tax asset		–	515
		11,674,638	12,007,690
Liabilities			
Derivative financial instruments	17(a)	2,983,250	2,291,338
Other liabilities	13	48,585	32,551
Financial liabilities designated at fair value through profit or loss	14	7,955,524	9,224,232
Deferred tax liability		39,089	–
		11,026,448	11,548,121
Net assets		648,190	459,569
Shareholder's equity			
Share capital	16	450,000	450,000
Accumulated losses		(65,321)	(20,071)
Own credit reserve		263,511	29,640
		648,190	459,569

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Nomura International Funding Pte. Ltd.

Condensed interim statement of changes in equity
For the nine-months period ended 31 December 2022 (unaudited)

	Notes	For the nine months ended 31 December 2022 USD'000	For the nine months ended 31 December 2021 USD'000
Issued capital			
Issued and fully paid:			
Balance at the beginning of period		450,000	450,000
Balance at the end of period	16	450,000	450,000
Accumulated losses			
Balance at the beginning of period		(20,071)	(13,122)
Transferred from own credit reserve to retained earnings during the year		1,162	(6,596)
(Loss)/profit for the period		(46,412)	6,958
Balance at the end of period		(65,321)	(12,760)
Own credit reserves			
Balance at the beginning of period		29,640	(202,612)
Net movement during the period		233,871	4,047
Balance at the end of period		263,511	(198,565)
Total equity		648,190	238,675

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Nomura International Funding Pte. Ltd.

Condensed Interim cash flow statement
For the nine-months period ended 31 December 2022 (unaudited)

	For the nine months ended 31 December 2022 USD'000	**For the nine months ended 31 December 2021** USD'000
Cash flows from operating activities		
(Loss)/profit before taxation	(54,943)	8,411
Adjustments for:		
Allowance for impairment	317	367
Interest income	(262,641)	(124,496)
Interest expense	820	13
Depreciation of right-of-use assets	5	4
Operating cash flows before working capital changes	(316,442)	(115,701)
(Increase)/decrease in:		
Loans	1,092,194	257,506
Other assets	(668,512)	(247,955)
Financial assets designated at fair value through profit or loss	(77,107)	(5,045)
Increase/(decrease) in:		
Other liabilities	16,038	(23,515)
Derivative financial instruments, net	951,430	269,110
Financial liabilities designated at fair value through profit or loss	(985,536)	(422,497)
Cash flows generated from/(used in) operating activities	12,065	(288,097)
Interest received	210,487	125,767
Interest paid	(820)	(13)
Tax paid	(4)	(38)
Net cash flows generated from/(used in) operating activities	221,728	(162,381)
Cash flows from financing activities		
Payment of principal portion of lease liability	(3)	(11)
Net cash flows used in financing activities	(3)	(11)
Net increase/(decrease) in cash and cash equivalents for the period	221,725	(162,392)
Cash and cash equivalents at beginning of period	224,344	376,724
Cash and cash equivalents at end of period (Note 9)	446,069	214,332

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

1. Corporate information

Nomura International Funding Pte. Ltd. (the "Company") was incorporated on 17 May 2012. The Company is a private limited company incorporated in Singapore. Its immediate and ultimate holding company is Nomura Holdings Inc., incorporated in Japan.

The registered office of the Company is located at 10 Marina Boulevard, Marina Bay Financial Centre Tower 2, #36-01, Singapore 018983.

The principal activity of the Company is that of issuance of structured credit, interest rate, equity and foreign exchange linked notes for the global markets international business outside of Japan and providing funding to related parties of Nomura.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The condensed interim financial statements of the Company for the nine-months period ended 31 December 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements as at 31 March 2022.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in United States dollars ("USD" or "US$") and all values in the tables are rounded to the nearest thousand (USD'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 April 2022. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

2. Summary of significant accounting policies (cont'd)

2.3 *Impact of standards issued but not yet effective*

The Company has not adopted the following standards that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 *Significant accounting estimates and judgements*

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period. 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 the future periods.

Key sources of estimation uncertainty

(a) Impairment losses on financial assets

Allowance for impairment of financial assets is determined in accordance with Note 2.9. This requires management's experience and judgement in relation to the forward looking assumptions used in the expected credit loss allowance computation to evaluate various factors such as economic indicators, significant increase in credit risk, business prospects, timing and amount of future cash flows.

2. Summary of significant accounting policies (cont'd)

2.4 *Significant accounting estimates and judgements (cont'd)*

Key sources of estimation uncertainty (cont'd)

(b) Fair value of financial instruments

The fair value financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques (e.g. models) are used to determine fair value, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated by an independent model validation group before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models will use observable data.

However, certain input parameters such as credit risks (both own and counterparty), volatilities and correlations may require management to make estimates. Changes in assumptions about the input parameters may affect the reported fair value of financial instruments.

Market factors such as the impact of the COVID-19 pandemic, rates change, Russia-Ukraine war are factors that may result in significant market volatility, therefore impacting movements in rates and credit spreads used in determining the fair value of financial instruments. The impact on the credit spreads may impact the OCA curve which is used for the purpose of calculating the OCA that forms part of the fair value of the financial liabilities designated at fair value through profit or loss.

(c) Taxes

Significant judgement is involved in determining the Company's provision for taxation. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the financial year in which such determination is made.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2. Summary of significant accounting policies (cont'd)

2.5 ***Functional currency***

The functional currency of the Company is the US$. The Company is of the opinion that the US$ reflects the economic substance of the underlying events and circumstances relevant to the Company.

2.6 ***Foreign currencies***

Transactions in foreign currencies are measured and recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.7 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances held with banks with reputable standing and hence are subject to an insignificant risk of changes in value.

2.8 ***Financial assets***

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss. The Company determines the classification of its financial assets at initial recognition. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transactions costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial assets (cont'd)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and designated upon initial recognition as at fair value through profit or loss. All derivatives that are held-for-trading are fair value through profit or loss. Financial assets designated at fair value through profit or loss are fully funded over-the-counter equity options which are risk managed on a fair value basis where the Company elects the fair value option.

Subsequent to initial recognition, financial assets in this category are measured at fair value with gains or losses arising from changes in fair value recognised in profit or loss within "net losses from trading activities".

(b) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired, and through amortisation process.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired, and through amortisation process. Financial assets at amortised cost include loans, receivables from third parties and receivables from related companies that are held for the collection of contractual cash flows.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the financial period generally established by regulation or convention in the marketplace concerned.

2. Summary of significant accounting policies (cont'd)

2.8 *Financial assets (cont'd)*

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Company retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the differences between the carrying amount and the sum of: (a) the consideration received (including any new asset obtained less any new liability assumed); and (b) any cumulative gains or losses that have been recognised directly in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of financial assets*

General ECL impairment model

The Company leverages the Nomura Group's models/parameters used for Basel reporting purposes, where feasible and available, with modifications to align to IFRS 9 requirements. Under this model, the ECL associated with a financial asset is typically a product of its probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted using the original effective interest rate to the reporting date.

- PD - PDs are sourced from industry data and validated based on historical experience, incorporating forward-looking scenarios.
- LGD - LGDs are determined by class of financial instrument based on historical experience of loss and recovery rates for similar financial instruments and other relevant industry data. Adjustments are made to reflect impact of collateral and integral credit enhancements.
- EAD - EAD is based on the current gross carrying value of the financial instruments, with adjustments made for significant scheduled or potential repayment and drawdowns.

ECL models are subject to an independent assurance process, which is managed by the Risk Model Validation Group ("RMVG"), and are also reviewed regularly for its logic and conceptual soundness, together with the integrity of model inputs and outputs.

Assessment of significant increase in credit risk

Under the General ECL impairment model, determination of whether a significant increase in credit risk has occurred at each reporting date is primarily through observed changes in internal credit ratings between initial recognition and reporting date, which is more than pre-specified thresholds.

Non-credit impaired exposures more than 30 days past due are considered to have experienced a significant increase in credit risk, and are transferred to Stage 2.

Exposures are transferred back to Stage 1 when they no longer meet the criteria for a significant increase in credit risk.

The Company considers "low credit risk" to meet all of the following criteria.

- Low default risk - possess an investment grade credit rating using a combination of internal and external credit rating model;
- The obligor has a strong capacity in the short term to meet its obligations;
- Expectations that adverse change in economic and business conditions will not necessary reduce the ability of the obligor to meet its obligations.

The Company applies low credit risk simplifications for cash balances with banks, reverse repurchase agreements and receivables from related companies. For the loans and advances carried at amortised cost, due to the low default history, days past due is used as backstop if there is a significant increase in credit risk.

2. Summary of significant accounting policies (cont'd)

2.9 *Impairment of financial assets (cont'd)*

Definition of default for credit-impaired financial assets

Exposures are classified as Stage 3 if these are deemed to be credit-impaired or have demonstrated objective evidence of default as at the reporting date.

The Company uses the following criteria to determine whether there is evidence of default:

- Default or delinquency in interest or principal payments
- Granting of a concession to existing contractual terms for economic or legal reasons relating to the borrower's financial difficulty
- Bankruptcy filings, liquidation or other winding-up or cessation of business of an obligor or other similar situations

Exposures which are 90 days or more past due are considered to be credit impaired, and are transferred to Stage 3. Exposures that are credit-impaired are classified as Stage 3 and could be upgraded to Stage 1 or Stage 2 if supported by repayment capability, cash flows and financial position of the borrower and it is unlikely that the exposure will be classified again as credit-impaired in the future.

Expected Life

When measuring Stage 2 or 3 ECL, cash flows over the expected remaining life of the financial asset are considered. The expected life for this purpose is the maximum contractual period over which the Company is exposed to credit risk from the financial instrument.

Simplified ECL impairment model

Simplified ECL impairment model is applied to trade receivables, other receivables and other assets.

2. Summary of significant accounting policies (cont'd)

2.10 ***Financial liabilities***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. In addition, they are not generally recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IFRS 9. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classifications as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial liabilities designated at fair value through profit or loss includes structured notes issued by the company which are risk managed on a fair value basis and fully funded derivative contracts where initial investment of greater than 90% of the notional of the embedded derivative has been received where the Company elects the fair value option.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss. Any gains or losses arising from changes in own credit risk of notes issued are recognised in the other comprehensive income.

(b) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.10 *Financial liabilities (cont'd)*

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration is recognised in profit or loss. However, the own credit risk of notes issued is not allowed to be recycled to profit or loss upon derecognition.

2.11 *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet, when and only when, there is a currently enforceable legal right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Amounts due to/due from counterparties are only netted if there is a legal right to offset and management intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. At present, no transactions meet these criteria and no amounts due to/due from by counterparties have been netted.

2.12 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.13 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following recognition criteria must also be met before revenue is recognised:

(a) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest rate which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial assets or liabilities.

(b) *Other income*

Other income includes service fee income performed on behalf of related companies over time and the transfer pricing income accrued based on the globally agreed methodology applicable for trading activities.

(c) *Net losses from trading activities*

Net losses from trading activities include gains and losses from changes in fair value of financial assets and liabilities designated at fair value through profit or loss and derivative financial assets and liabilities.

2.14 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. Summary of significant accounting policies (cont'd)

2.14 *Taxes (cont'd)*

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (cont'd)

2.15 ***Employee benefits***

(a) *Defined contribution plan*

As required by law in Singapore, the Company makes contribution to the state retirement scheme, the Central Provident Fund ("CPF"), a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

2.16 ***Related parties***

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2. Summary of significant accounting policies (cont'd)

2.17 *Interest rate benchmark reform*

In March 2021, the UK Financial Conduct Authority (FCA) announced the dates on which LIBOR would be discontinued. All GBP, CHF, EUR and JPY London Interbank Offered Rate (LIBOR) settings and the one-week and two-month USD LIBOR settings would lose representativeness or discontinue after 31 December 2021. The remaining USD LIBOR settings would lose representativeness or discontinue after 30 June 2023.

Nomura Group, including the Company, has been actively working on a transition away from IBOR to risk free rates ("RFR"). During the year, the Company has completed the transition of the IBOR exposures to RFRs and is currently working on the remaining transitions for those IBOR referenced rates that has yet to cease as shown in the table below. The migration of the existing IBOR positions will be validated by the various workstreams. In addition, migrations for existing IBOR positions are being performed with the involvement of multiple departments across the Nomura Group.

As part of the transition process, the Nomura Group is currently focused on actively transitioning counterparties away from viable legacy IBOR contracts. In this regard, Nomura Group including the Company is holding transition discussion with counterparties and have already received consent from some of the counterparties. Following the discussion with the counterparties, pace of progress will be determined by their decision and readiness to transit.

The Company has completed the transition of derivative and loan contracts to other alternative rates where publication of such IBOR has ended at the end of December 2021.

The amounts in the below table provides an indication of the extent of the Company's exposure to the IBOR benchmarks that are due to be replaced as at 31 December 2022. Amounts are in respect of financial instruments that:

(a) contractually reference an interest rate benchmark that is planned to transition to an alternative benchmark;
(b) have a contractual maturity beyond the date by which the reference interest rate benchmark is expected to cease; and
(c) are recognised on the Company's balance sheet.

	USD LIBOR USD'000
Financial assets designated at fair value through profit or loss	107,112
Financial liabilities designated at fair value through profit or loss	903,538
Derivative notional contract amount	1,805,729

3. Interest income

	For the nine months ended 31 December 2022 USD'000	For the nine months ended 31 December 2021 USD'000	For the three months ended 31 December 2022 USD'000	For the three months ended 31 December 2021 USD'000
Loans due from related companies	217,966	123,762	101,571	40,799
Placements with related companies	41,350	492	22,687	219
Others	3,325	242	1,468	162
	262,641	124,496	125,726	41,180

Total interest income (calculated using effective interest rate) for financial assets that are measured at amortised cost for the nine months ended and three months ended are USD262,641,000 and USD125,726,000 (2021: USD124,496,000 and USD41,180,000) respectively.

4. Net losses from trading activities

	For the nine months ended 31 December 2022 USD'000	For the nine months ended 31 December 2021 USD'000	For the three months ended 31 December 2022 USD'000	For the three months ended 31 December 2021 USD'000
Financial instruments held for trading	(1,705,737)	(644,515)	(113,228)	(388,306)
Financial liabilities designated at fair value through profit or loss	1,444,157	532,855	(6,971)	347,407
	(261,580)	(111,660)	(120,199)	(40,899)

Interest expense on financial liabilities designated at fair value through profit or loss for the nine months ended and three months ended are USD138,854,000 and USD48,217,000 (2021: USD174,435,000 and USD58,791,000) respectively.

5. Other income

	For the nine months ended 31 December 2022 USD'000	**For the nine months ended 31 December 2021** USD'000	**For the three months ended 31 December 2022** USD'000	**For the three months ended 31 December 2021** USD'000
Service fees	3,143	2,693	1,116	842
Transfer pricing income	–	305	–	–
	3,143	2,998	1,116	842

6. Staff costs

	For the nine months ended 31 December 2022 USD'000	**For the nine months ended 31 December 2021** USD'000	**For the three months ended 31 December 2022** USD'000	**For the three months ended 31 December 2021** USD'000
Salaries, wages, bonuses and other staff related expenses	95	102	28	32
Defined contribution plan	9	9	3	2
	104	111	31	34

7. Other operating expenses

	For the nine months ended 31 December 2022 USD'000	**For the nine months ended 31 December 2021** USD'000	**For the three months ended 31 December 2022** USD'000	**For the three months ended 31 December 2021** USD'000
Guarantee fees payable	4,009	4,187	1,144	1,463
Legal and professional fees	23	295	1	30
Service fees paid	1,892	1,771	636	587
Sales and withholding tax	4,595	141	2,439	54
Transfer pricing expense	46,858	–	14,580	1,864
Other expenses	529	538	191	217
	57,906	6,932	18,991	4,215

8. Allowance for impairment

	For the nine months ended 31 December 2022 USD'000	For the nine months ended 31 December 2021 USD'000
Stage 1 ECL allowance		
Loan (Note 11)	2,408	1,965
	2,408	1,965

The table below shows the movement in allowance for ECL during the period/year:

	Balance at 1 April 2022 USD'000	Charge to income statement USD'000	Balance at 31 December 2022 USD'000
Loans	2,091	317	2,408
	2,091	317	2,408

	Balance at 1 April 2021 USD'000	Charge to income statement USD'000	Balance at 31 December 2021 USD'000
Loans	1,598	367	1,965
	1,598	367	1,965

Write-back of/(allowance for) impairment charge to income statement for the quarter ended 31 December 2022 was USD17,000 (31 December 2021: (USD4,000)).

The ECL balance above wholly relates to loans which are classified as Stage 1 ECL under IFRS 9. These receivables are not past due and are collectively assessed for impairment. There was no movement between ECL stages during the year. The increase in ECL was solely driven by the increase in carrying value of financial assets as at period end. As these are loans due from related companies which are relatively short term in nature, the ECL is not expected to be significant.

9. Cash and cash equivalents

	31 December 2022 USD'000	31 March 2022 USD'000
Cash balances with banks	446,069	224,344

Cash balances with banks earn interest at prevailing deposit rates.

10. Financial assets designated at fair value through profit or loss

The financial assets are fully funded over-the-counter ("OTC") equity options that are held for trading entered into with a related company, Nomura Securities Bermuda and they mature on June 2026. The notional value at the period ended was USD53,700,000 (31 March 2022: USD53,700,000). Fair value changes arising from changes in credit risk as at 31 December 2022 and 31 March 2022 ended were not significant.

11. Loans

	31 December 2022 USD'000	**31 March 2022** USD'000
Loans	8,150,300	9,242,494
Less: Allowance for impairment (Note 8)	(2,408)	(2,091)
	8,147,892	9,240,403

Loans are unsecured, bear interest at various market rates with related spread. Loans have maturities ranging from January 2023 to June 2023.

12. Other assets

	31 December 2022 USD'000	**31 March 2022** USD'000
Net collateral placed	2,054,060	1,340,697
Trade receivables	60,751	105,144
Interest receivable	70,140	19,118
Other receivables	2,121	1,493
Tax receivable	84	38
	2,187,156	1,466,490

Trade and other receivables are unsecured, non-interest bearing and are due to settle within the next 12 months.

Collateral received or placed are unsecured, bear interest at US Federal Funds Rate and repayable within 30 days.

13. Other liabilities

	31 December 2022 USD'000	31 March 2022 USD'000
Trade payables	22,076	18,401
Guarantee fee payables	4,117	5,438
Service fee payables	7,033	2,603
Other payables	15,335	6,074
Provision for staff related costs	21	26
Lease payable	4	9
	48,585	32,551

Guarantee fee payables are payable to Nomura Holdings Inc., Nomura Securities Co., and Nomura International Hong Kong for the guarantee provided on the notes issued by the Company.

14. Financial liabilities designated at fair value through profit or loss

	31 December 2022 USD'000	31 March 2022 USD'000
Notes in issue, by remaining maturity:		
- Less than 5 years	3,830,322	3,974,766
- Greater than 5 years	4,125,202	5,249,466
	7,955,524	9,224,232

The notes in issue above are designated at fair value through profit or loss comprised structured notes with maturity dates ranging from January 2023 to December 2067. The structured notes issued by the Company form part of a group of financial instruments (including the derivative financial instruments) that together are managed on a fair value basis. The impact of fair value changes in own credit risk recorded on the balance sheet as at 31 December 2022 was a gain of USD317,483,000 (31 March 2022: gain of USD35,711,000). The notes are guaranteed by either a related company, Nomura Securities Co Ltd (NSC), the holding company, Nomura Holdings Inc (NHI) or a joint guarantee with a related company, Nomura International Hong Kong (NIHK) and NHI.

15. Related party transactions

Other than those disclosed elsewhere in the financial statements, the Company had the following significant transactions with related companies which were made in the ordinary course of their business at terms agreed between the parties:

31 December 2022	**Ultimate holding company** USD'000	**Related companies** USD'000
Net income/(expense)		
Interest income	–	259,316
Net losses from trading activities	–	(1,726,099)
Transfer pricing expense (Note 7)	–	(46,858)
Service fee income (Note 5)	–	3,143
Guarantee fee expense	(3,307)	(703)
Service fee expense	–	(1,892)
Other expense	–	(4)
Allowance for impairment	–	(317)
Assets/(liabilities)		
Financial asset at fair value through profit or loss	–	107,112
Net collateral placed (Note 12)	–	2,054,060
Loans (Note 11)	–	8,147,892
Trade receivables	–	59,246
Interest receivables	–	70,138
Other receivables	–	2,049
Derivative financial assets	–	786,405
Derivative financial liabilities	–	(2,983,250)
Trade payables	–	(22,076)
Other payables	(3,422)	(22,123)

15. Related party transactions (cont'd)

31 December 2021	**Ultimate holding company** USD'000	**Related companies** USD'000
Net income/(expense)		
Interest income	–	124,263
Net losses from trading activities	–	(632,337)
Transfer pricing income (Note 5)	–	305
Service fee income (Note 5)	–	2,693
Guarantee fee expense	(3,652)	(535)
Service fee expense	–	(1,771)
Other expense	–	(4)
Allowance for impairment	–	(367)

31 March 2022		
Assets/(liabilities)		
Financial asset at fair value through profit or loss	–	30,006
Collateral placed (Note 12)	–	1,340,697
Loans (Note 11)	–	9,240,403
Trade receivables	–	105,144
Interest receivables	–	19,116
Other receivables	–	1,375
Derivative financial assets	–	1,045,923
Derivative financial liabilities	–	(2,291,338)
Trade payables	–	(18,401)
Other payables	(4,708)	(9,151)

16. Share capital

	31 December 2022		**31 March 2022**	
	No. of shares '000	USD'000	No. of shares '000	USD'000
Issued and fully paid:				
At beginning of period	230,000	450,000	230,000	450,000
At end of period	230,000	450,000	230,000	450,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

17. Fair value of financial instruments

(a) *Fair value hierarchy*

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices unadjusted in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There were no assets or liabilities transferred between Level 1 and Level 2 during the quarter.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

31 December 2022	**Level 1** USD'000	**Level 2** USD'000	**Level 3** USD'000	**Total** USD'000
Recurring fair value measurements				
Financial assets:				
Financial assets designated at fair value through profit or loss	–	107,112	–	107,112
Derivatives financial assets:				
Foreign exchange options	–	4	31	35
Foreign exchange swaps	–	12,477	–	12,477
Equity options	–	7,438	3,107	10,545
Credit default swaps	–	30,989	10,741	41,730
Interest rate options	–	3,331	421	3,752
Interest rate swaps	–	717,862	4	717,866
As at 31 December 2022	–	879,213	14,304	893,517

17. Fair value of financial instruments (cont'd)

(a) *Fair value hierarchy (cont'd)*

31 December 2022	**Level 1** USD'000	**Level 2** USD'000	**Level 3** USD'000	**Total** USD'000
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	–	7,955,524	–	7,955,524
Derivatives financial liabilities:				
Foreign exchange options	–	31	17,438	17,469
Foreign exchange swaps	–	64	–	64
Equity options	–	176,568	213,513	390,081
Credit default swaps	–	143,377	114,021	257,398
Interest rate options	–	1,427,825	231,203	1,659,028
Interest rate swaps	–	628,253	30,957	659,210
As at 31 December 2022	–	10,331,642	607,132	10,938,774

31 March 2022	**Level 1** USD'000	**Level 2** USD'000	**Level 3** USD'000	**Total** USD'000
Recurring fair value measurements				
Financial assets:				
Financial assets designated at fair value through profit or loss	–	30,006	–	30,006
Derivatives financial assets:				
Foreign exchange options	–	–	754	754
Foreign exchange swaps	–	11,334	–	11,334
Equity options	–	81,296	4,606	85,902
Credit default swaps	–	68,690	22,242	90,932
Interest rate options	–	7,152	433	7,585
Interest rate swaps	–	849,379	37	849,416
As at 31 March 2022	–	1,047,857	28,072	1,075,929

17. Fair value of financial instruments (cont'd)

(a) *Fair value hierarchy (cont'd)*

31 March 2022	**Level 1** USD'000	**Level 2** USD'000	**Level 3** USD'000	**Total** USD'000
Financial liabilities:				
Financial liabilities designated at fair value through profit or loss	–	9,224,232	–	9,224,232
Derivatives financial liabilities:				
Foreign exchange options	–	–	12,631	12,631
Foreign exchange swaps	–	5,011	–	5,011
Equity options	–	255,988	172,890	428,878
Credit default swaps	–	162,287	76,117	238,404
Interest rate options	–	469,812	136,343	606,155
Interest rate swaps	–	976,805	23,454	1,000,259
As at 31 March 2022	–	11,094,135	421,435	11,515,570

Financial assets and financial liabilities not carried at fair value

Except for financial instruments disclosed above, the carrying values of assets and liabilities approximate their respective fair values, either because of the relatively short-term maturity or because the interest rates are generally reset after a short period of time.

Valuation processes

The Company is fully integrated into the Nomura Group's 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 in order to ensure the appropriateness of any fair value measurement of a financial instrument used within these financial statements including those classified as Level 3 within the fair value hierarchy.

17. Fair value of financial instruments (cont'd)

(a) *Fair value hierarchy (cont'd)*

Valuation processes (cont'd)

The functions for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Valuation Control Group ("VCG") within Nomura's Finance Department has the primary responsibility to determine and implement valuation policies and procedures in connection with determination of fair value measurements. VCG performs independent price verification to verify the appropriateness of fair value measurements applied to all financial instruments. The independent price verification process seeks to ensure the valuation technique and inputs are appropriate, reasonable and consistently applied.

- The Valuation Control Model Validation Group ("VCMVG") is an independent function at the global level to validate the appropriateness and perform governance and oversight for all models and developed and built by the Valuation Control Group ("VCG").

- The Valuation Model Validation Group ("VMVG") validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models.

(b) *Level 2 fair value measurements*

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

(i) *Financial assets and liabilities designated at fair value through profit or loss*

Financial assets and liabilities designated at fair value through profit and loss are measured at fair value by reference to quoted prices when available. Valuation models are based wherever possible on assumptions supported by observable market prices or rates. These valuation techniques include discounted cash flows ("DCF") and option pricing models, depending on the nature of the embedded features within the financial instruments. As a result, fair value calculated using these valuation techniques will change if the underlying assumptions change. The fair value of the financial liabilities designated at fair value through profit or loss includes Nomura's own credit worthiness.

(ii) *Derivatives*

Derivative products valued using a valuation technique with market-observable inputs are mainly interest rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation technique is discounted cash flow model.

17. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	**Fair value as at 31 December 2022** USD'000	**Valuation techniques**	**Unobservable inputs**	**Range**
Credit default swaps	(103,280)	Discounted cash flow	IR vs IR Correlation; IR vs FX Correlation; IR vs EQ Correlation; EQ vs Other Correlation; Other vs Other Correlation	(54.00)% to 99.02%
Equity options	(210,406)	Discounted cash flow/option model	IR vs IR Correlation; IR vs FX Correlation; IR vs EQ Correlation; EQ vs EQ Correlation; EQ vs Other Correlation; Other vs Other Correlation	(76.81)% to 72.44%
Foreign exchange options	(17,407)	Discounted cash flow/option model	IR vs IR Correlation; IR vs FX Correlation; IR vs EQ Correlation; Other vs Other Correlation	(45.00)% to 99.77%
Interest rate options	(230,782)	Discounted cash flow/option model	IR vs IR Correlation; IR vs FX Correlation; Other vs Other Correlation	(72.00)% to 98.71%
Interest rate swaps	(30,953)	Discounted cash flow	IR vs IR Correlation; Other vs Other Correlation	(33.00)% to 95.36%

17. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

Description	**Fair value as at 31 March 2022** USD'000	**Valuation techniques**	**Unobservable inputs**	**Range**
Credit default swaps	(53,875)	Discounted cash flow	EQ vs Others Correlation; IR vs IR Correlation; IR vs FX Correlation; IR vs EQ Correlation; Other vs Other Correlation	98.99% to (98.00)%
Equity options	(168,284)	Discounted cash flow/option model	EQ vs EQ Correlation; EQ vs Others Correlation; IR vs FX Correlation; IR vs EQ Correlation; Other vs Other Correlation	66.54% to (69.00)%
Foreign exchange options	(11,877)	Discounted cash flow/option model	IR vs FX Correlation; IR vs IR Correlation; IR vs EQ Correlation; Other vs Other Correlation;	99.77% to (50.00)%
Interest rate options	(136,306)	Discounted cash flow/option model	IR vs IR Correlation; IR vs FX Correlation; Other vs Other Correlation	98.51% to (53.00)%
Interest rate swaps	(23,417)	Discounted cash flow	IR vs IR Correlation; Other vs Other Correlation	93.43% to (38.00)%

17. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

<u>Impact on fair value of Level 3 financial instruments measured at fair value of changes to key assumptions</u>

For each class of financial instrument described in the above table, changes in each of the significant unobservable inputs and assumptions used by the Company will impact upon the determination of a fair value measurement for the financial instrument. Management does not anticipate a significant impact in the net fair value of Level 3 financial instruments at the period ended.

As the Company enters into derivative transactions to hedge its exposures to embedded derivatives and the market risks in loans and medium term notes, the increase or decrease in the value of the Level 3 portfolio will not significantly impact its profits and losses. Hedging derivative instruments offset the positions arising from the derivatives which are embedded in the debt instruments and limit the sensitivity of fair value to changes in unobservable inputs related to these financial instruments. The Company does not apply hedge accounting.

(ii) *Movements in Level 3 financial instruments measured at fair value*

Assets and liabilities move between Level 2 and Level 3 primarily when there is an increase or decrease in market activity related to an unobservable input, or a change in the significance of the unobservable input, with instruments classified as Level 3 if an unobservable input is deemed significant. The transfers occurred at the beginning of the reporting period.

17. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(ii) *Movements in Level 3 financial instruments measured at fair value*

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial liabilities which are recorded at fair value:

	At 1 April 2022 USD'000	Transfers in USD'000	Transfers out USD'000	Settlements USD'000	Total gains/ (losses) in profit or loss USD'000	At 31 December 2022 USD'000
Financial assets:						
Derivative financial instruments						
Foreign exchange options	754	–	–	(230)	(493)	31
Equity options	4,606	7	(3,424)	(724)	2,642	3,107
Credit default swaps	22,242	–	–	(566)	(10,935)	10,741
Interest rate options	433	–	–	–	(12)	421
Interest rate swaps	37	–	–	–	(33)	4
Total level 3 financial assets	28,072	7	(3,424)	(1,520)	(8,831)	14,304
Financial liabilities:						
Derivative financial instruments						
Foreign exchange options	12,631	–	–	–	4,807	17,438
Equity options	172,890	566	(80,302)	(17,995)	138,354	213,513
Credit default swaps	76,117	–	–	(996)	38,900	114,021
Interest rate options	136,343	–	–	(5,044)	99,904	231,203
Interest rate swaps	23,454	–	–	–	7,503	30,957
Total level 3 financial liabilities	421,435	566	(80,302)	(24,035)	289,468	607,132

17. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(ii) *Movements in Level 3 financial instruments measured at fair value (cont'd)*

	At 1 April 2021 USD'000	**Transfers in** USD'000	**Transfers out** USD'000	**Settlements** USD'000	**Total gains/ (losses) in profit or loss** USD'000	**At 31 March 2022** USD'000
Financial assets:						
Derivative financial instruments						
Foreign exchange options	474	–	–	(70)	350	754
Foreign exchange swaps	11	–	–	–	(11)	–
Equity options	13,115	–	388	(7,623)	(1,274)	4,606
Credit default swaps	52,820	–	–	(1,843)	(28,735)	22,242
Interest rate options	3,040	–	–	(38)	(2,569)	433
Interest rate swaps	669	–	–	–	(632)	37
Total level 3 financial assets	70,129	–	388	(9,574)	(32,871)	28,072
Financial liabilities:						
Derivative financial instruments						
Foreign exchange options	5,247	–	–	(162)	7,546	12,631
Equity options	83,483	23	4,471	(28,579)	113,492	172,890
Credit default swaps	30,655	–	–	(981)	46,443	76,117
Interest rate options	28,693	–	–	(621)	108,271	136,343
Interest rate swaps	2,945	–	–	–	20,509	23,454
Total level 3 financial liabilities	151,023	23	4,471	(30,343)	296,261	421,435

17. Fair value of financial instruments (cont'd)

(c) *Level 3 fair value measurements (cont'd)*

(iii) *Valuation techniques*

Derivatives are valued using internal models using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, or alternative pricing sources with reasonable levels of price transparency. Valuation techniques include discounted cash flow techniques and option pricing models. Derivatives that are valued using models with significant unobservable inputs such as correlation, long-dated volatility, or other unobservable inputs are classified within Level 3.

Valuation techniques may rely on parameters which are not observable in the market due to an absence of equivalent, current, market transactions or observable market data. These valuation techniques are based on assumptions. As a result, the fair value calculated using these valuation techniques will change if the underlying assumptions change.

18. Capital management

The objective of the Company's capital management is to safeguard its ability to continue as a going concern so that it can continue to manage the financing needs and liquidity position of the Nomura Group. In order to maintain or achieve an optimal capital structure, the Company may adjust, in light of changes in economic conditions, the amounts of dividend payment and capital return to shareholders.

The capital structure of the Company comprised the notes issued, issued capital and reserves as disclosed in the statement of changes in equity. Notes issued are guaranteed by NSC, NHI or a joint guarantee by NIHK and NHI.

The Company is not subject to externally imposed capital requirements.