

# NOMURA INTERNATIONAL PLC

Annual Report  
31 March 2022

**COMPANY REGISTRATION NUMBER: 1550505**

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## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT**

The Directors of Nomura International PLC (the "Company") present their Strategic Report, Directors' Report and the Financial Statements for the year ended 31 March 2022. The Company is incorporated in England and Wales and its registered office is at 1 Angel Lane, London, EC4R 3AB.

These financial statements have been prepared on a company-only basis and do not include the results and net assets of the Company's subsidiary undertakings.

### **REVIEW OF THE COMPANY'S BUSINESS, FINANCIAL PERFORMANCE AND FINANCIAL POSITION, DESCRIPTION OF PRINCIPAL RISKS AND INFORMATION REGARDING BRANCHES**

#### **Principal Activities**

The Company is a London-based securities broker-dealer operating company and is a wholly owned subsidiary of Nomura Europe Holdings PLC ("NEHS"), which together with the Company, NEHS and other NEHS's subsidiary undertakings, form the "NEHS Group". The Company's ultimate parent undertaking and controlling entity is Nomura Holdings, Inc. ("NHI"), which together with the Company, NEHS, and NHI's other subsidiary undertakings, form the "Nomura Group". The Company has branches in Dubai and Cape Town. The Company's core activities include:

- trading and sales in fixed income and equity products, including related derivatives;
- investment banking services;
- asset and principal finance business; and
- corporate finance

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**STRATEGIC REPORT (CONTINUED)**

The Company's key financial indicators during the year were as follows:

|                                      | <b><u>Year ended</u></b><br><b><u>31 March 2022</u></b><br><b><u>\$'000</u></b> | <b><u>Year ended</u></b><br><b><u>31 March 2021</u></b><br><b><u>\$'000</u></b> |
|--------------------------------------|---|---|
| Trading profit                       | 1,088,778   | 1,680,619   |
| Net interest income                  | 19,100  | 49,937  |
| General and administrative expenses  | (1,476,878)   | (1,663,845)   |
| Credit impairment release/(charges)  | 965   | 40,475  |
| Operating (loss)/profit              | (368,035)   | 107,186   |
| (Loss)/profit before taxation        | (393,485)   | 78,400  |
| (Loss)/profit for the financial year | (372,215)   | 63,696  |
| Total assets                         | 225,416,846   | 247,619,099   |
| Total liabilities                    | 220,192,378   | 242,076,785   |
| Shareholders' funds                  | 5,224,468   | 5,542,314   |

***Financial Performance:***

The Company reported a loss before tax for the year of \$(393,485,000) (2021: profit of \$ 78,400,000), a significant year on year decline in profit as challenging market conditions and subdued client activity impacted Wholesale performance, particularly in Rates, Credit & Foreign Exchange ("FX"), and drove a 35% reduction in Trading Profit.

Year on Year the Company has also seen a reduction in credit impairment release, with a March 2022 release of \$965,000 (2021: \$40,475,000). The prior year credit release was driven by reversal of ECL as underlying loans were repaid and was not repeated in the current year. Further details are presented in Notes 5 and 8 of the Financial Statements.

The decrease in trading profit and the reduced credit impairment release was partially offset by a significant decrease in litigation expenses, with no additional litigation items being recognised in the year to March 2022. Further details are presented in Note 29 of the Financial Statements.

To support future improved profitability, the Company has implemented a number of initiatives to drive future positive performance and to reflect the importance of the Company to the Nomura Group.

On 26 March, 2021, a U.S. client defaulted on margin calls made by one of the Nomura Group's U.S. subsidiaries, namely Nomura Global Financial Products Inc. ("NGFP"), in connection with prime brokerage transactions entered into with the client, which resulted in the Nomura Group incurring significant losses. This U.S. Prime Brokerage event has had no material impact on the Financial Performance of the Company however an extensive internal remediation and enhancement plan (The Risk Management Enhancement Plan "RMEP") has been initiated globally in order to identify specific issues which may have contributed to this loss and identify areas of improvement to strengthen global risk management.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### ***Financial Position:***

The Company's total assets of \$225,416,846,306 decreased by 9% in 2022 from a reduction in securities financing transaction ("SFT") balances, driven by an increase in the level of netting applied to SFT balances in the year, as well as a reduction in equity securities held following a review and revision to the Company's Wholesale Prime Brokerage business.

During the year, the Company reduced its issued share capital from \$11,241,226,555 to \$3,241,226,555 by cancelling 8,000,000,000 issued ordinary shares. The \$8,000,000,000 share capital moved to retained earnings with no impact to Company's Shareholders' funds. Further details are presented in Note 17 of the Financial Statements.

#### **BUSINESS ENVIRONMENT**

The global economy experienced repeated slowdowns in the fiscal year ended March 31, 2022 in response to flare-ups in the COVID-19 pandemic. Despite this, economic activity resumed to a great extent, particularly in the countries that were at the forefront in administering COVID-19 vaccination programs. The pandemic had a lingering impact on emerging market economies, in particular, causing sluggishness in production and distribution that when combined with the pent-up demand caused by the economic recovery, led to increasingly severe supply constraints and rising inflation.

As a result of rising inflation the central banks of major countries and regions around the world became more inclined to execute monetary policy tightening and this in turn led to greater concern over rising interest rates in financial markets.

On January 31, 2020, the U.K. withdrew from the European Union ("EU") under the Withdrawal Agreement between the U.K. and the EU ("Brexit"). Although the U.K. and EU have entered into a trade and cooperation agreement governing their new relationship, such agreement does not comprehensively address the financial industry, and there continues to be uncertainty as to the longer term consequences that Brexit may have on the Company.

In addition to the macro-economic uncertainties referenced above, the Company continues to proactively manage the continued challenges of industry digitalisation by prioritising collaboration across divisions and regions.

#### **Russia and Ukraine war**

Since the war in Ukraine began in February 2022, the Company has been actively monitoring the impact of the conflict on the Ukraine and Russian economies, as well as on other financial markets. As of March 31, 2022, the total direct exposure of the Company to Ukraine and Russia was not significant

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **RISK MANAGEMENT**

The Company's risk management framework is closely aligned to the Nomura Group's risk management framework. However through its local governance framework, the Company does apply specific risk management controls and defines its risk appetite, which is the maximum level and types of risk that the Company is willing to assume in pursuit of its strategic objectives and business plan.

The Company's activities involve the assumption and transfer of certain risks, including market risk, credit risk, climate risk, operational risk, cross-border risk, model risk, liquidity and funding risks, and business risk. These risks are managed through the Company's Executive Governance and through sub-committees of the Board of NEHS.

Further information on the management of these risks is provided in note 18 of the Financial Statements.

#### **REGULATION AND REGULATORY CHANGES**

##### **Regulations**

The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. The Company is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the PRA. The Company is in compliance with these requirements.

During the year, the Directors have noted, amongst other items, the following key Regulatory updates and confirm the establishment of regulatory programs as appropriate to ensure compliance:

- On 14 October 2021 the PRA published final rules on implementation of Basel standards in PS22/21 with respect to key developments including the introduction of a binding minimum net stable funding ratio, changes to the capital requirements for counterparty credit risk of derivatives and a tightening of large exposures limits. These were implemented with effect from 1 January 2022 with related reporting and disclosure changes becoming effective from the first quarterly reporting reference date of 31 March 2022. Additionally the PRA also published PS21/21 on the UK leverage framework to introduce an updated exposure calculation effective from 1 January 2022 and for firms with at least £10bn of non-UK assets a binding minimum leverage ratio effective from 1 January 2023. Although the binding minimum leverage ratio is not effective until 1 January 2023, the Board of the Company have early adopted their Leverage Risk Appetite from 1 January 2022. The firm has a regulatory change program which has been managing the implementation of these changes. Following the adoption of most of these changes at the start of 2022, the program will now move to look forward towards the introduction of the final Basel 3.1 reforms in the UK. These proposals include amendments to the capital requirements for credit risk, market risk, CVA risk, operational risk and the introduction of output floors for modelled exposures. On 21 March 2022, the PRA has confirmed its intention to publish a consultation on the implementation of these reforms in the fourth quarter of 2022, with the changes expected to become effective on 1 January 2025.

## **NOMURA INTERNATIONAL PLC**

### **YEAR ENDED 31 MARCH 2022**

## **STRATEGIC REPORT (CONTINUED)**

### **REGULATION AND REGULATORY CHANGES (CONTINUED)**

- In July 2010, the US enacted the Dodd-Frank Act. Under this Act, the CFTC requires swap dealers that exceed a de minimis threshold of swap dealing activity to register with the CFTC and subjects these registered entities to internal and external conduct requirements. Furthermore, on 22 July 2020 the CFTC adopted final capital and financial reporting rules for swap dealers with a compliance date of 6 October 2021. Similarly, during 2019 the SEC issued final rules including those governing capital, margin and segregation requirements for security-based swap dealers and in December 2019 they adopted final rule amendments addressing the cross-border application of relevant requirements. The SEC requires securities based swap dealers above the de minimis activity threshold to register and comply with final security based swap dealer rules no later than 1 November 2021. NIP registered as a security based swap dealer with the SEC on 1st November 2021. The SEC and CFTC granted substituted compliance to recognise the local UK regulations as being sufficient to satisfy the relevant requirements under the US regime. NIP has elected to rely on certain aspects of substituted compliance in areas including capital and margin, reporting and record keeping.
- The internal minimum requirement for eligible liabilities ("MREL") became applicable in the U.K. for all U.K. incorporated institutions from 1 January 2019 for firms whose failure would have a significant impact on the U.K. financial system and for certain overseas firms where the Bank of England ("BOE") would support a home resolution authority in carrying out a cross-border resolution. The Company was in full compliance with the final end-state MREL rules from 1 January 2022.
- In July 2019, the BOE and U.K. PRA published a policy statement on the Resolvability Assessment Framework ("RAF"). The RAF sets out eight barriers to resolvability bringing together existing policies such as MREL and Operational Continuity in Resolution ("OCIR") as well as other new resolution policies in order to follow the resolution principles set out by the FSB. As a result of this policy, NIP has taken active steps since 2019 to ensure it has limited any barriers to resolution across the overarching pillars for resolvability through ensuring (1) NIP has adequate resources and appropriate liquidity to meet its obligations during resolution, (2) NIP is able to facilitate a smooth resolution by guaranteeing business services and operational process can continue to run and (3) the firm has clear oversight and governance available during resolution.
- The European Market Infrastructure Regulation ("EMIR") became effective on 16 August 2012, and applies to any entity established in the EU that is a legal counterparty to a derivative contract, even when trading with non-EU firms. EMIR was created with the intention of stabilizing OTC markets found within EU member states. Although the majority of EMIR regulations have already been implemented, on 28 May 2019, Regulation (EU) 2019/834 (EMIR REFIT) was published in the EU's Official Journal, with the aim of amending EMIR to make some of its requirements simpler and more proportionate. With a few exceptions, the majority of the provisions in the Regulation entered into force on 17 June 2019. EMIR was transposed into UK domestic law by means of the European Union (Withdrawal) Act 2018 (as amended), subject to certain transitional arrangements. EMIR was transposed into UK domestic law by means of the European Union (Withdrawal) Act 2018 (as amended), subject to certain transitional arrangements. Phase 6 represents the final stage of the phase-in of the rules and applies from 1 September 2022. The Company has initiated a project to document all in scope counterparties before 1 September 2022.

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### **STRATEGIC REPORT (CONTINUED)**

#### **REGULATION AND REGULATORY CHANGES (CONTINUED)**

- In November 2019, the EU Benchmark Regulation ("BMR") was amended to include two new types of "climate benchmarks" - 'Paris-Aligned' Benchmarks ("PABs") and Climate Transition Benchmarks ("CTBs"). The Low-Carbon Benchmarks Regulation introduced the requirement (under Article 13 of the BMR) that administrators of benchmarks (save interest rate and foreign exchange benchmarks) must provide an explanation of how the key elements of their benchmark methodologies reflect ESG factors. The requirements were to be complied with by 30 April 2020. However, since the draft regulatory technical standards were still subject to a public consultation and a number of important details were subject to these delegated acts, ESMA issued a 'No Action Letter' encouraging EU national regulators not to force these 'Level 1' requirements until these delegated acts are finalised. The Delegated Acts were finalised and published on 3 December 2020 and entered into force in 23 December 2020.
- Interest rate benchmarks including, among others, the London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate (EURIBOR), the Euro Overnight Index Average (EONIA) and certain other Interbank Offered Rates ("IBORs") are being reformed. The UK made the transition from GBP LIBOR, Yen LIBOR and CHF LIBOR to alternative risk free rates by the end of December 2021. More details on the Company's IBOR exposure, and the approach to risk management of the IBOR transition can be found in Note 29.
- The EU Commission is required to evaluate the overall functioning of the MiFID II/ MiFIR regime, in particular, addressing those areas where challenges still exist. As part of this process, ESMA has launched a number of consultations on specific areas, which will feed into the Commission's reports. Certain amendments to support economic recovery from the COVID-19 pandemic, including via relief from administrative requirements on firms, were published in the EU Official Journal on February 26, 2021 (MiFID 'Quick-Fix'). EU Member States are required to transpose the quick fix amendments into their national frameworks by November 28, 2021 and apply them by February 28, 2022. Alongside this, the scheduled MiFID II review continues, with the Commission expected to publish a further legislative proposal towards the end of 2021. Since Brexit, these amendments are not applicable in the UK and FCA has since set out changes to the conduct and organizational rules under the U.K. MiFID, including research unbundling and best execution reporting. On 1 July 2021 the U.K. HMT launched a Wholesale Market Review Consultation. The consultation is part of the Government's commitment to improving the competitiveness of the U.K. as a hub for capital markets, and is a central part of the Government's post-Brexit strategy for financial services. It has a wide ranging focus, including the regulatory framework for trading venues, systematic internalisers, market data, and fixed income, equity, derivative and commodity markets. It proposes a number of amendments to the U.K.'s onshored MiFID regime and asks for industry input on a range of other topics. The Company is monitoring these developments and will implement any changes as relevant when the final rules are published.

## NOMURA INTERNATIONAL PLC

### YEAR ENDED 31 MARCH 2022

## STRATEGIC REPORT (CONTINUED)

### REGULATION AND REGULATORY CHANGES (CONTINUED)

- In the U.K., on 23 June 2020, the Government confirmed that it will not implement the Central Securities Depositories Regulation ("CSDR") Settlement Discipline. U.K. firms will continue to apply the existing industry-led framework. On 8 February 2022, the EU Commission announced a decision to extend equivalence for UK Central Counterparties ("CCPs") until 30 June 2025. The equivalence will apply from 1 July 2022. At the same time, the EU Commission launched a targeted public consultation and a call for evidence on ways to expand central clearing activities in the EU and improve the attractiveness of EU CCPs in order to reduce the EU's over reliance on systemic third-country CCPs.
- On 6 July 2022 the EU Commission adopted the delegated act suspending the application of the provisions relating to the mandatory buy-in regime of the RTS on settlement discipline for three years from the date of entry into force. The declared intention of the EU is to relocate Euro derivatives clearing from London to the EU, however as the Company is a member of Eurex Exchange, it is positioned to avoid trade disruption in the event of mandated relocation. The Company is monitoring these developments.
- In response to heightened global focus on the issues of climate change, and a growing demand for standards associated with Environmental, Social and Governance ("ESG") factors and reporting, a number of global regulatory initiatives are being developed. These regulations cover both prudential frameworks including assessment and management of climate risks associated with Nomura businesses, such as the PRA SS3/19 regulations; and also labelling, disclosure and reporting regulations which includes, but is not limited to, the EU Taxonomy Regulation, the EU Sustainable Finance Disclosure Regulation, the EU Corporate Sustainability Reporting Directive and the proposed Sustainable Corporate Due Diligence Directive.

The U.K. have introduced new mandatory Climate-related Financial Disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. These rules are effective for financial years starting on or after 6th April 2022 and introduce mandatory disclosures consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Whilst the requirements are applicable to the Company from 1 April 2023, certain disclosures have been made on a voluntary basis and can be found on in the Strategic Report on page 11-16.

- The PRA released SS2/21 on Outsourcing and Third Party Risk management in March 2021 with a compliance deadline of 31 March 2022. The SS did not significantly diverge from the consultation paper published in 2019 but extended the scope as set out by the EBA in 2019. The EBA focus was on Outsourcing arrangements and the PRA requirements extended this to all critical third party arrangements. The SS set out explicit requirements with respect to risk assessments; contractual clauses and the management of critical third party arrangements (inclusive of group arrangements) throughout their lifecycle. The U.K. Regulators also issued Supervisory and Policy Statements on Operational Resilience in March 2021 (SS1/21 and PS21/3). These Operational Resilience SSs and PSs focused on the identification of Important Business Services with detailed mapping of dependencies and the setting of Impact Tolerances which are required to be validated across severe but plausible scenarios. The Regulators intended that both Operational Resilience and Third Party Risk Management requirements should be considered in conjunction with each other recognising that the firm's Important Business Services may have significant dependencies on third party arrangements. The overarching aim of these policies is to ensure appropriate governance and control over business services which if disrupted could cause harm to clients, the firm or to market stability. The Company has complied with the 31 March 2022 requirements of both policies.



## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **EMPLOYEE MATTERS**

The Company operates an equal opportunities policy. We have taken steps to ensure all employees are aware of their obligations in ensuring that the Company's environment retains a culture which is conducive to good working and high performance. Internal communication and access to training and personal development opportunities are in place to support this.

The Company remains strongly committed to the principle of equal employment opportunities for all employees and to providing employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identity and gender expression, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and or sexual orientation. Our recruitment, development and promotion procedures embed these principles. The Company's objective is to attract job applications from the best possible candidates and to retain the best people. We are also committed to having a diverse range of skills, values, knowledge, experience and geographical, educational and professional backgrounds amongst our employees.

The Nomura Group has an established policy of communicating with all its employees regularly, including U.K. employees, in order to provide information relevant to them about their employment and Nomura. This includes regular Nomura news bulletins circulated to all U.K. employees as well as communication and updates on the employee training programs that are available. All U.K. employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group, as well as the annual Nomura Group Employee Survey. The Company is not listed in the U.K. and therefore does not operate an employee share scheme. However employee involvement in the performance of the Company is encouraged, in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance as well as their division as a whole and the overall Company and Nomura Group performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the individual Company's financial performance is discussed.

#### **OPERATIONAL ENVIRONMENT**

The effects of the COVID-19 pandemic have reduced during 2021 and 2022. The Company continues to operate on a business as usual basis with most employees now following the firm's Hybrid Working Model, which enables employees to benefit from both in the office and remote working.

While the spread or impact of the disease may gradually subside as vaccination efforts progress, ongoing negative effects on markets, economic activity or the operating environment could further adversely affect our business. We are confident however of the Company's contingency and business continuity arrangements which were robustly tested at the height of the pandemic and lockdown periods.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **SECTION 172 OF THE COMPANIES ACT 2006**

Section 172 of the Companies Act 2006 requires directors to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard to the interests of stakeholders, including shareholders, clients, employees, suppliers, regulators and the wider society in which the Company operates.

As a Board, we strive to take decisions for the long term, with the aim of understanding and respecting the views and needs of our clients, employees and suppliers along with the environment we operate in and the shareholders to whom we are accountable.

The Board ensures the Section 172 requirements are met and the interests of all stakeholder groups are considered and taken into account when making decisions. This is evidenced through a number of actions including but not limited to the following:

- Our clients and business partners are key to ensuring the long-term success of the Company and, as a result, it is important to develop and maintain strong client relationships. To ensure that we maintained strong client relationships during the COVID-19 pandemic, we used various digital methods of communications, including meetings and briefings. Where safe and appropriate to do so, we returned to meeting clients in person as COVID-related restrictions were lifted towards the end of the financial period.
- The firm engages with our people to ensure that the Company can recruit, develop, motivate and retain talented individuals. There is an established policy of communicating with all employees regularly. The NEHS Group's purpose and its strategy and priorities are communicated at quarterly town halls, and throughout the year in leadership meetings, all employee email messages and Nomura news bulletins. In its communications, the NEHS Group actively promotes its commitment to: good governance; risk management; compliance; good conduct; client needs and shareholder requirements; social responsibility; equal opportunities; and Diversity, Equity, and Inclusion ("DEI").
- Nomura conducts an annual Founding Principles and Corporate Ethics Day, a global initiative with the aim of engaging with employees and obtaining feedback in relation to conduct matters. These sessions are held in teams and led by team leaders to facilitate open discussions. The Group Conduct Department team conduct employee engagement surveys and review the output of the surveys, gather feedback and develop targeted action plans which are presented to Executive management. The targeted action plans are also tracked by and presented to the NEHS Board on a quarterly basis.
- Both the NEHS Executive Committee and the NIP Board receive regular updates from HR to consider matters such as DEI, employee well being and learning & development. In particular, a DEI programme was established within the year, led by a newly appointed Head of DEI for EMEA and a series of DEI initiatives have been launched across the NEHS Group as a result.
- An annual Health and Safety review of employee well being is conducted by HR. The Director of the Board responsible for Health and Safety provides an annual update on Health, Safety and the Environment. Mental Health champions have been trained across the business and a firm-wide mental health resilience programme is in place.
- The Company reviews and reports on its invoice payment practices to ensure suppliers are treated fairly by abiding to agreed payment terms.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **SECTION 172 OF THE COMPANIES ACT 2006 (CONTINUED)**

- Pursuant to Section 54(1) of the Modern Slavery Act 2015 (the "MSA Act"), the Company annually attests to the MSA Act by publishing a statement outlining how the Company mitigates the risk of slavery and human trafficking both within their business and their supply chains. As part of this process, the NEHS Group has in place a Modern Slavery and Human Trafficking Policy (the "MSA Policy"), which seeks to identify and manage such risk.
- The Board, its committees and Executive management take their environmental responsibilities seriously and receive regular updates on climate change. The Board members continue to receive training on the risks associated with climate change and work is ongoing with respect to the establishment of a net-zero strategy. NEHS remains committed to ensuring that it meets its obligations pertaining to environmental regulation and reporting.
- Established in 2009, the Nomura Charitable Trust has been supporting disadvantaged young people in the local communities through both grant making and employee engagement in the form of volunteering and other engagement initiatives, making a significant impact both internally and externally. Whilst the Nomura Charitable Trust's mission is to ensure Nomura's business goals are aligned with providing positive contribution to stakeholders and the wider communities in which Nomura operates, a decision was taken to launch a new Community Affairs strategy aligned to the NEHS Group's DEI objectives and as such, the Nomura Charitable Trust will no longer be used as the vehicle to achieve these aims. Instead, NEHS will be launching a new charitable partnership in order to expand the scope of its charitable engagement and increase the impact across the organisation.
- The Board has an open, transparent and constructive relationship with the regulators and provides them with monthly Management Information ("MI"). The Board and its Committees receive regular updates on regulatory developments and Board members often meet with the regulators to ensure they are kept updated and informed.

The Board considers the interests of stakeholders as part of its overall long term business objectives and continues to align the company's strategic direction with the shareholder's aspirations for sustainability and growth.

When making principal decisions, the Directors have regard to the interests of relevant stakeholders. During the COVID-19 pandemic, supporting and safeguarding our employees and continuing to provide services to clients were a priority. We moved to a remote working model and provided extensive support and practical help to employees as they adopted to new working arrangements. As COVID-related restrictions were lifted towards the end of the financial period, the Company continued to prioritise employee and client health and safety through the implementation of a return to office plan aligned with Government guidance. A hybrid-working model has since been adopted and will continue to evolve to ensure employees are able to work effectively and clients are able to receive high-quality service.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **CLIMATE CHANGE**

##### **Overview and governance**

In recent years, countries around the world have been accelerating their efforts to achieve carbon neutrality, and there is a need for changes in industry and social and economic reforms based on policy measures to realise a decarbonised society.

In order to contribute to these global efforts, the Nomura Group is committed to support our clients in their sustainability efforts through leveraging our core business. The Nomura Group is also committed to reducing its own environmental impact and the enhancement of our corporate governance and risk management.

The approach to Climate Change is primarily set at a Group level and applied through all group subsidiaries and business lines including the Company. The NEHS Risk Management Committee and Board Risk Committee provide governance and oversight over Climate risk management of the Company.

Please refer to the Nomura Group TCFD Report for further information on group governance arrangements and Nomura Group Climate-related Financial Disclosures.

<https://www.nomuraholdings.com/investor/library/tcf/2022/pdf/all.pdf>

##### **Climate Change Related Strategic Opportunities**

As a financial services firm, the Nomura Group is committed to helping our clients decarbonise. Over the next 30 years until 2050, a total of US\$122 trillion (approximately 16,000 trillion yen) is expected to be required for the transition to a decarbonised society globally. The Nomura Group recognises the role of finance services in the supply and circulation of risk money will grow. In particular, the Nomura Group believes the growing demand for funds, M&A advisory services, consulting, underwriting, new financial products & solutions and ESG-related funds will present increased opportunities for our business.

Growth opportunities identified to date include the expansion of underwriting opportunities in line with increased capital investment needs of our clients related to decarbonisation (transition finance), and expanding M&A advisory services for supporting clients' decarbonisation strategies.

The Nomura Group have been arranging sustainability themed bonds since 2010, and in 2017 established a dedicated sustainable finance team in the Debt Capital Markets business within the Wholesale business, which participates in a wide variety of sustainable finance projects. To further strengthen and promote this initiative, in 2021 the Nomura Group set a target of US\$125 billion in sustainable finance over five years by March 2026. Along with the achievement of these targets, we are taking the following steps to further enhance sustainable finance.

The Company will strive to help clients resolve sustainability issues by providing strategic advisory services such as M&A in the sustainability field by leveraging our comprehensive global capabilities and knowledge and expertise gained through our global network.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **CLIMATE CHANGE (CONTINUED)**

In April 2020, the Nomura Group acquired Greentech Capital Advisors, a U.S. based M&A boutique with strengths in sustainability, including renewable energy. Nomura Greentech is now a fully integrated investment banking team within the Wholesale Division which provides M&A and strategic advisory services and raises capital in the areas of sustainable technology and infrastructure.

#### **Climate Change Related Risks**

##### **Identified Risks**

The Company is aware of the impact that climate change related risks can have on our businesses.

There are two key types of risks associated with climate change, namely physical risk and transition risk.

Physical risk is generically defined as the risk of loss or damage due to extreme weather events such as large typhoons, droughts, and intense heat and specifically impacts our business as follows :

- Damage to our facilities or harm to employees, interruptions to our business and increases in our cost base due to extreme weather events;
- Clients or counterparties suffering from extreme weather events, resulting in less business, or even bankruptcy; and
- Loss of collateral value in asset-based finance transactions, e.g. real estate

Transition risk is defined as the risk associated with decarbonisation, such as the inability to respond to changes in government policies and rapid technological innovations and specifically impacts our business as follows:

- Price fluctuations affecting our trading positions, caused by policy change or innovation along with the transition to a decarbonised society;
- Failure of syndication transactions due to the change in investor or client appetite;
- Clients' assets such as coal mines, oilfields and natural gas facilities becoming obsolete as a result of the transition to a lower-carbon economy, resulting in pressure on business performance and creditworthiness;
- Reputational risk arising from our involvement in project finance transactions in which greenhouse gas emissions are inherent;
- Decrease in existing businesses, higher costs or higher capital charges due to the changes in legislation and the regulatory environment; and
- Reputational risks due to an insufficient understanding of the regulation or policy change.

As indicated below through scenario results and risk measures, given our portfolio the impact of these risks is currently assessed as being relatively low and therefore has had limited impact on our business strategy.

## **NOMURA INTERNATIONAL PLC**

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### **STRATEGIC REPORT (CONTINUED)**

#### **CLIMATE CHANGE (CONTINUED)**

##### **Risk Management and Governance of Climate Risk**

Our Climate Risk & ESG Working Group, comprising members from our Risk Management and other related departments, has been set up to establish a global framework to identify, understand and manage climate change risks within the Nomura Group. Governance and oversight around climate risk management is provided by NEHS Risk Management Committee and NEHS Board Risk Committee who receive regular updates and reports around the nature and impact of these risks from the working group.

Our approaches for managing climate risk are outlined in the sections below:

- **Risk Identification**

A set of sectoral and country heatmaps have been developed as tools to initially identify both physical and transition risks impacting the Company. These risk identification tools are used within risk management processes as a top down approach to identify the vulnerabilities to climate factors at both country and sector levels, as described in a number of processes below.

- **Credit Risk Management**

The Company has enhanced the credit risk management framework to incorporate the analysis of physical and transition risks. Sectoral and country heatmaps are used to identify counterparties most exposed to such risks. This analysis is taken into consideration in our internal credit rating process, for example by including direct or indirect costs incurred by the counterparty to manage their climate-related risks, such as additional investments the counterparty may need to make. Broader ESG factors are also incorporated into these credit ratings. Credit ratings are used to inform credit risk appetite for a counterparty so this process ensures that climate and ESG related risks are also incorporated implicitly in this.

- **Market Risk Management**

The potential impact of climate change on market risk exposures is assessed by utilising a stress analysis approach that assumes rapid market fluctuations due to transition risk.

- **New Product and Transactional Review Process**

The Company's Wholesale Division's ESG Sector Appetite Statement has introduced a process for identifying ESG risks (including climate change risks) and which evaluates mitigation measures in the review of individual transactions. In addition, the ESG review has been enhanced in the following due diligence processes:

- **New Product Approval Process:** Our process to evaluate and approve new products that Nomura intends to offer. The risks and the associated management processes are examined cross-functionally, and identified risks appropriately mitigated in order for the relevant new product to be approved.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **CLIMATE CHANGE (CONTINUED)**

- New Product and Transactional Review Process (continued)
  - Transaction Committee Process: There are various risks inherent in transactions depending upon the market, transaction type, counterparty, and asset class. To assess the key risks and mitigants relating to proposed transactions, NEHS has established a committee process in which the risk threshold linked to each committee and the escalation process have been defined.
- Scenario Analysis Approach

The Company has utilised the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathway (RCP) scenarios and the Network for Greening the Financial Systems' (NGFS) Transition scenarios to explore the potential impact from climate change. As climate risks are longer term risks, the initial focus has been on the impact to counterparty creditworthiness.

During the year ended 31 March 2022, an initial, exploratory analysis of the impact of climate change on the NEHS's capital and risk-weighted assets over short-term, medium-term and long-term time horizons was conducted. This included a disorderly transition scenario for the short-term time horizon; both disorderly and orderly transition scenarios for the medium-term time horizon; and disorderly and orderly transition scenarios, and a physical risk ("Hot house World") scenario in the long-term time horizon.

No significant impact on NEHS was found as a result of these scenarios. The Company continues to explore possible enhancements to these scenarios. Please refer to Nomura Group TCFD Report for further detailed information on the scenarios.

During the year ended 31 March 2022 a new analysis of the impact of climate change on NEHS's capital and risk-weighted assets was conducted, assuming that climate-related policy implementation leads to a disorderly transition, with the aim of assessing the short-term impact of climate change on the country's financial condition. We believe the impact of climate change on NEHS finances is expected to be limited from the results.

#### **Exposure analysis related to climate change**

The Company has developed the following Key Performance Indicators (KPIs) to provide transparency on credit exposures to climate risk within the Company's portfolio, based on the counterparty loan equivalent (LEQ) which is the total amount of Loan and Loan Equivalent Exposure of the counterparty credit exposures monitored and reported to the NEHS Risk Management Committee and Board Risk Committee.

## NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

### STRATEGIC REPORT (CONTINUED)

#### CLIMATE CHANGE (CONTINUED)

##### Exposure analysis related to climate change (continued)

- *Carbon Related Assets (CRA)*

In line with the revised TCFD definition of carbon-related assets, we define CRAs as those assets tied to the following four non-financial groups : Energy, Transportation, Materials and Buildings and Agriculture, Food and Forest Product. Water utilities and independent power and renewable electricity production industries are excluded. Exposures in scope of this KPI are identified using our industry level sectors, classified through three increasingly granular levels, which align most closely to the GICS (MSCI Global Industry Classification Standard) sectors in scope of each measure;

- *High Transition Risk (HTR)*

To estimate the risk we would be exposed to through the decarbonisation of global economies, we have established a concentration measure for the total credit exposure to High Transition Risk sectors. Scope of this KPI includes all counterparties in industry sectors that are assessed as having the highest risk (i.e. Weak / High) in the sector heatmap for transition risk; and

- *High Physical Risk (HPR)*

This metric captures the exposure to both acute and chronic physical risk impacts that result from climate change. Scope of this KPI is defined using the country heatmap and sector heatmap. Counterparties in countries and sectors (defined by the industry level classification) labelled as "Weak" are included in scope of the metrics.

| Measure                     | 31 March 2022<br>% of Total LEQ | 31 March 2021<br>% of Total LEQ |
|-----------------------------|---------------------------------|---------------------------------|
| Carbon Related Assets (CRA) | 9.00                            | 7.20                            |
| High Transition Risk (HTR)  | 1.20                            | 1.30                            |
| High Physical Risk (HPR)    | .70                             | .70                             |

To measure credit exposure the Company uses the Counterparty LEQ based on an internal methodology. The value of the measure equates to the sum of Counterparty LEQ for each counterparty that meets the sector (and country for HPR) criteria for the measure. As these metrics are sector-based they may include investments which are beneficial from a climate change perspective, and / or the exposures to counterparties with a low carbon footprint. For example the counterparty LEQ from a project finance transaction for carbon capture and storage for a power plant would be included even though it would result in a decrease of greenhouse gas emissions.



## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

#### **CLIMATE CHANGE (CONTINUED)**

##### **Metrics and Targets**

The Nomura Group will use metrics related to greenhouse gas emissions to measure and manage the risks and opportunities associated with climate change as well as to steadily implement initiatives to align with the Paris Agreement and achieve net zero. The Company will continue to contribute to these targets set at the Nomura Group Level. In addition, the Company shall continue to report its own greenhouse gas emissions on page 26-27 in the Streamlined Energy and Carbon Reporting as required under Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulation 2018:

Major Climate Change-Related Metrics and Targets:

##### **Metrics**

Greenhouse gas emissions for its own operations  
Greenhouse gas emissions from its lending and investment portfolios  
Sustainable Financing

##### **Target**

Net Zero by 2030  
Net Zero in 2050  
US\$125bn in sustainable financing over five years by March 2026

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **STRATEGIC REPORT (CONTINUED)**

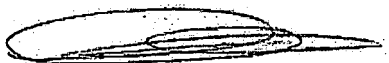
#### **Environment and Energy**

The Company believes a healthy environment is the foundation of stable economic and social conditions for future generations. The Company is committed to acting in an environmentally responsible manner and to achieving energy performance improvement.

The Nomura Group:

- encourages investment and constructive engagement in environmentally friendly and energy efficient goods and services;
- assesses environmental risks and continually strives to minimise pollution to mitigate our effect on climate change;
- complies with relevant environmental laws and regulations and engages with external stakeholders on environmental issues;
- is committed to reducing waste and the use of natural resources in order to minimise the impact of its footprint on the environment;
- is committed to continual improvement in energy performance;
- aims to maximise the efficiency of its property portfolio through effective asset management covering utilisation, maintenance, accessibility and disposals;
- promote the importance of biodiversity and a healthy ecosystem;
- communicates this policy to all its employees to raise awareness of environmental issues and encourages environmentally friendly initiatives;
- will make available the necessary resources to achieve our environmental and energy objectives and targets; and
- makes this policy available for public viewing.

**BY ORDER OF THE BOARD AT A MEETING HELD ON 21 July 2022**



.....  
Christopher Barlow  
Company secretary

21 July 2022

Company Registration Number 1550505

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT**

The Directors present their report and Financial Statements of the Company which comprises of the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flow and related Notes 1-32.

### **RESULTS AND DIVIDENDS**

The results for the year are presented in the Statement of Comprehensive Income. The loss transferred to reserves for the year amounted to \$(372,215,000) (2021: profit of \$63,696,000).

No interim dividend was paid (2022: nil) and the Directors do not recommend the payment of a final dividend (2021: nil).

### **EVENTS SINCE THE STATEMENT OF FINANCIAL POSITION DATE**

No significant events occurred after the balance sheet date that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 Mar 2022.

### **TANGIBLE ASSETS**

Movements in tangible assets are shown in Note 11 to the financial statements.

### **DONATIONS**

No political donations were made during the year (2021: nil).

### **RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company's approach to Risk Management is presented in Note 18 of the Financial Statements, with additional analysis on Financial Instruments disclosed in Notes 1, 8 and 19 of the Financial Statements.

### **MATTERS DEALT WITH IN THE STRATEGIC REPORT**

An indication of the likely future developments of the Company, along with information pertaining to branches of the Company outside of the United Kingdom and employee matters have both been outlined in the Company's Strategic Report.

## **NOMURA INTERNATIONAL PLC**

### **YEAR ENDED 31 MARCH 2022**

#### **DIRECTORS' REPORT (CONTINUED)**

The current Directors and those serving during all or part of the year are:

|                  |                               |
|------------------|-------------------------------|
| David Godfrey    | Non-Executive Chairman        |
|                  | Non-Executive Director        |
| Jonathan Lewis   | Chief Executive Officer       |
|                  | Executive Director            |
| Takeo Aoki       | Executive Director            |
|                  | (resigned 20 April 2022)      |
| John Tierney     | Executive Director            |
| Naoyuki Oguri    | Non-Executive Director        |
|                  | (appointed 30 September 2021) |
| Jonathan Britton | Non-Executive Director        |
| Rosemary Murray  | Non-Executive Director        |
| Hisato Miyashita | Non-Executive Director        |
|                  | (resigned on 30 June 2021)    |
| Neeta Atkar      | Non-Executive Director        |

#### **DIRECTORS' INDEMNITIES**

As at the date of this report and during the relevant financial year, indemnities are and were in force under which the Company has agreed to indemnify certain Directors of the Company to the extent permitted by law and in accordance with the Company's articles of association, in respect of certain losses and liabilities arising out of, in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company. In addition, NHI effected a global Directors and Officers liability insurance program for the benefit of the Nomura Group.

#### **ANTI-BRIBERY AND CORRUPTION POLICY**

The Company's policy against bribery and corruption requires employees and persons acting for or on behalf of the Company, to understand and to comply with laws, rules and regulations concerning bribery and corruption and to be neither involved with bribery nor corrupt activities.

The Company maintains policies and procedures designed to mitigate the risk of the Company becoming involved in bribery and/or corruption.

#### **BOARD RECRUITMENT POLICY**

The NEHS Governance and Nomination Committee is responsible for having regard to a broad set of technical capabilities and competencies when recruiting members of the Board of the Company. The NEHS Governance and Nomination Committee is also responsible for putting in place a policy promoting diversity on the Board.

The Nomura Group is committed to providing equal opportunities throughout its Board appointments including in the recruitment, training and development of Board members. The objective is to attract the best possible candidates and to retain the best people.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT (CONTINUED)**

#### **BOARD DIVERSITY POLICY**

The Nomura Group is committed to fostering our corporate culture which respects our people's values regardless of their background, such as gender, nationality, ethnic origin, age, sexual orientation or gender identity. Today, Nomura's workforce includes employees of more than 90 different nationalities. This diverse group of personnel is our most important asset, and as such, we strive to offer equal opportunities to all personnel to enable each and every one of them to develop their capabilities and strengths as individuals to the fullest and perform as Nomura professionals.

The NEHS Governance and Nomination Committee has responsibility for leading the process for Board appointments and for identifying and nominating candidates for appointment to the Board. Board appointments will be based on merit and candidates will be considered against objective criteria. The Board currently has a diverse range of ages, geographical provenance, educational and professional backgrounds, skills, knowledge and experience which values input from all directors. The NEHS Governance and Nomination Committee will continue to ensure appropriate actions are taken to further broaden the diversity on the Company board.

#### **EMPLOYEE ENGAGEMENT**

The Company recognises the importance of engaging employees, considers employee opinions when making decisions and uses a variety of media to keep employees informed.

The Company utilises Nomura's Group policy of communicating with all its employees regularly, including UK employees, in order to provide information relevant to them about their employment and Nomura. This includes Nomura News Bulletins circulated to all UK employees as well as communication and updates on the employee training programs that are available. All UK employees are encouraged to participate in the various employee committees and networks offered by the Nomura Group. The Company is not listed in the UK and therefore does not operate an employee share scheme, however, employee involvement in the performance of the Company is encouraged in a number of ways, including through the provision of a discretionary bonus scheme, which is based on the employee's individual performance, divisional performance and the NEHS Group's performance. The Nomura Group's financial performance is regularly communicated to employees through quarterly town halls in which the individual Company's financial performance is discussed.

#### **ENGAGEMENTS WITH SUPPLIERS, CUSTOMERS AND OTHERS**

Section 172 of the Companies Act 2006 requires directors to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard to the interests of stakeholders, including shareholders, clients, employees, suppliers, regulators, the environment and the wider society in which the Company operates.

On pages 9-10, we have set out how we have engaged with our key stakeholders and how the Board has considered their interests during the year.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT (CONTINUED)**

#### **THE WATES PRINCIPLES**

For the year ended 31 March 2022, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies published by the Financial Reporting Council in December 2018.

##### **Principle One - Purpose and Leadership**

The Board develops and promotes the purpose of the Company and ensures that its values, strategy and culture align with that purpose.

The Board holds an annual strategy day and monitors the implementation of its strategy throughout the year. The Board's purpose and its strategy and priorities are communicated at quarterly town halls, and throughout the year in divisional leadership meetings, all employee email messages and Nomura news bulletins.

The Board values openness, transparency and integrity, and it is committed to supporting employees in speaking up freely, ensuring managers listen and encouraging everyone in taking collective responsibility for escalating concerns. The Company's Speaking Up policy also allows employees to report concerns anonymously. The Board ensures employees do not suffer detrimental treatment as a result of raising a concern in good faith and receive regular updates on Speaking Up incidents. Nomura has a dedicated external whistleblowing hotline to enable employees to make anonymous disclosures.

Nomura has established a comprehensive conduct risk framework to ensure good conduct is the solid foundation of Nomura's culture and is reflected in every aspect of how business is done. Nomura's aim is to ensure that its approach to conduct meets regulatory expectations and that this approach helps individuals to consider their behaviour and actions with a critical eye. The Board recognises that its commercial priorities can only be achieved through a business model that promotes and maintains a culture of robust controls, appropriate judgement, good behaviour and responsibility for one's actions. A key part of Nomura's conduct risk framework is the monitoring and management of the different types of conduct risks relevant to the business. These risks are monitored through information captured on a monthly basis in a conduct risk dashboard. This enables senior management visibility of conduct risk at all levels of the business - division, department, desk and employee - in order to take all necessary actions to manage and reduce it. Further, the Conduct Breach Review Committee is responsible for overseeing conduct issues and escalating matters to the executive committees and Board as required. Training and awareness is also important. Nomura employees have received training to further strengthen awareness of conduct risk, how to manage it appropriately and embed good conduct firmly as part of Nomura's culture.

The Company and its employees are expected to adhere to the Nomura Code of Conduct and are held accountable to NEHS Group internal Policies and Procedures.

##### **Principle Two - Board Composition**

The Board comprises an Independent Non-Executive Chairman, Chief Executive, Chief Operating Officer, Vice Chairman and four further Non-Executive Directors (three of which are independent Non-Executive Directors). The size and composition is appropriate to the business and the Board is diverse with an appropriate balance of skills, knowledge and experience. The independent Non-Executive Directors bring expertise in banking, finance and risk matters contributing independent challenge and opinions to decision making.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT (CONTINUED)**

#### **Principle Two - Board Composition (continued)**

The Company has a separate Chair and Chief Executive to ensure that independence of decision-making is effectively maintained. The Chair is an independent Non-Executive Director. The Board uses committees as a method of expanding their work, increasing their efficiency and discussing important issues in detail. The Board committees (delegated to NEHS) include an audit, remuneration, governance & nomination and risk committee which further enhances decision-making. The Non-Executive Directors attend and chair the committees in order for them to challenge and get involved in a range of areas across the business. An external consultancy undertook an extensive effectiveness review of the Board and its Committees in April 2021. The Board effectiveness review assessed that the Board was appropriately structured and well managed. The enhancements identified in the review are being implemented by the Company and tracked by the Board.

In order to ensure directors are equipped to perform their duties effectively, at the start of the term of office an induction programme is completed which is supported by ongoing director development and training.

The Board is committed to providing equal opportunities and ensures all Board members are aware of their obligations in ensuring that the Company's environment retains a culture which is conducive to good working and high performance. The Nomura Group is committed to providing equal opportunities throughout its Board appointments, including in the recruitment, training and development of Board members. The Company set a target in 2015 to appoint two female Board members by 2018, which was met. The NEHS Governance and Nomination Committee leads the process of identifying and nominating candidates for appointment to the Board, ensuring appropriate actions are taken to further broaden the diversity of the Board and to nominate candidates for appointment based on merit and assessment against objective criteria.

A Board learning and development framework is in place to support Board members in updating their skills and knowledge. Board members attend regular internal and external training sessions and meet with senior management to update their knowledge and familiarity of the business, risk management and compliance.

#### **Principle Three - Director Responsibilities**

##### **Accountability**

There are clear lines of accountability and responsibility which support effective decision-making in the Company. Each Board member understands his or her responsibilities and accountabilities. The Board meets a minimum of six times per year plus hold an additional strategy day where the Board and Executive leadership team discuss strategy and budget planning.

#### **Principle Three - Director Responsibilities (continued)**

##### **Committees**

The committees support effective decision-making and independent challenge. The Board delegates authority for the day to day management to the NEHS Executive Committee which meets weekly and is chaired by the Chief Executive Officer and whose membership includes the Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Head of Global Markets, Head of Investment Banking and Head of Legal, Compliance and Controls. Where responsibilities have been delegated to a committee or individual, these are clearly established within each committee Terms of Reference or through delegations of authority.

In addition, governance responsibilities are delegated to the NEHS Audit Committee, NEHS Remuneration Committee, NEHS Governance and Nomination Committee and NEHS Board Risk Committee. These committees are chaired by non-executive directors to support and enhance independent decision-making. Reports are provided to the Board by the Chairs of those committees at each Board meeting.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT (CONTINUED)**

#### **Integrity of Information**

The Board receives monthly MI on all key aspects of the business. The MI is constantly challenged and reviewed by the Board to ensure the Board have access to sufficient high quality material on financial performance, strategy, operational matters, health and safety, risks, market conditions and sustainability. MI is shared monthly with the FCA and PRA. Board papers are circulated in good time with an executive summary outlining the purpose of each paper.

#### **Principle Four - Opportunity and risk**

The Board promotes the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing the oversight for the identification and mitigation of risks. The Board has implemented frameworks to evaluate and control the possibility of potential losses arising from the NEHS Group's various operations and transactions. A global risk management enhancement programme is underway across the Nomura Group and the Board receives updates on the progress being made, with a key focus on the areas of particular relevance to the Company.

The NEHS Risk Management Framework (which has been adopted by the Company) promotes consistency with the NEHS Group business objectives and strategy, monitors risk against NEHS Group risk appetite and ensures that appropriate levels of governance and control are in place across NEHS Group businesses. The Risk Management Framework provides an effective platform for the Board to make informed and robust decisions.

The NEHS Group actively takes risk in support of its strategy and accepts that this exposes the firm to all major risk types. The quantum of risk that the NEHS Group is willing to accept in pursuit of this strategy is set out in the Risk Appetite Statement. The Risk Appetite Statement includes metrics which are chosen to define the maximum consolidated level of risk for the firm, as well as qualitative criteria by which to balance risk and reward. The Risk Appetite Statement is refreshed, reviewed and presented to the Risk Committee on at least an annual basis.

The NEHS Board Risk Committee (to which the Board has delegated authority) meets monthly and makes decisions in line with the Board's Risk Appetite Statement which provides direction for evaluating business opportunities and for day-to-day risk management decisions.



## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT (CONTINUED)**

#### **Principle Five - Remuneration**

The Remuneration Committee's primary objective is to set remuneration at a level that is consistent with, and promotes, sound and effective risk management and does not encourage risk taking that exceeds the Group's risk appetite or provide an incentive to breach the Group's policies and procedures including the Employee Code of Conduct. The Remuneration Committee has established terms of reference and it is responsible for recommending to the Board remuneration policies in line with the Group's global remuneration strategy. In determining the Company's remuneration policy, the Committee takes into account relevant laws, applicable local and regional regulations, and regulatory guidance and the provision and recommendations of the UK Corporate Governance Code and associated guidance. In doing so, the Committee can take advice from independent external consultants on market practices and remuneration benchmarking against other companies in the sector. Pay is aligned with performance and seeks to reward employees for long term value creation within Nomura's accepted risk appetite and by promoting and encouraging desired behaviours in accordance with Nomura's Competency Framework and Founder's Principles. The directors' remuneration is disclosed on page 131. The Gender Pay Gap was published for the first time in 2018 and encouraged discussions and focus on diversity and inclusion areas with engagement of the Board and NEHS Executive Committee. Over the last year, the Company has introduced a number of direct measures to address gender balance, and has given senior management individual accountability for achieving these targets. The Company is an equal opportunity employer and is committed to providing employees with a work environment free of discrimination and harassment regardless of age, disability, race, gender identity and gender expression, religion or belief, marriage and civil partnership, pregnancy and maternity, sex and or sexual orientation. All decisions relating to employment (including remuneration) are free from bias and are based on individual merit and objective work criteria.

#### **Principle Six - Stakeholder relationships and engagement**

The Board is committed to making the Company an increasingly balanced organisation, where everyone is proud to work. An employee engagement survey is conducted throughout the year to gauge the overall engagement and wellbeing of employees. The Board reviews the survey results and assesses the workforce's confidence in the Company's strategic direction, leadership, optimism in the future and career opportunities, awareness of good governance and conduct and risk management policies.

The Board has overseen a number of people initiatives over the past number of years to improve employee relations, including promoting greater diversity and inclusion. In 2018, the Board oversaw the introduction of Gender Pay Gap reporting and monitors the mean hourly rate between male and female employees. The Company has introduced a number of measures to improve gender balance across the Company. Some of the initiatives include the Board reviewing female recruitment, attrition and promotion MI and qualitative analysis of the drivers of female workforce experiences and the introduction of individual accountability in achieving diversity targets as part of senior management's annual performance objectives.

The Board also recognises Nomura's duty to help maintain trust in the integrity of the markets in which we operate. The NEHS Group seeks to ensure that the actions or conduct of the firm or our staff do not put this at risk. This is achieved through training, awareness raising, and the maintenance of controls and the monitoring of activities.

The Board considers the interests of stakeholders as part of its overall long term business objectives and continues to align the Company's strategic direction with the shareholder's aspirations for sustainability and growth. More information on stakeholder engagement, including engagement with employees, can be found on page 20.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT (CONTINUED)**

#### **STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENT**

The Board is committed to high standards of corporate governance and the Company's corporate governance framework is subject to ongoing review, assessment and improvement. The Board proactively adopts governance policies and practices designed to align the interests of the Board and senior management with those of the shareholder and other stakeholders; and to promote the highest standards of corporate governance.

The Board has responsibility for the oversight, governance and direction of the business and affairs of the Company. The Board has delegated authority to the NEHS Board and Committee structure to consider matters on behalf of the Company, as appropriate. In accordance with the Terms of Reference of the relevant NEHS Committees, those committees, where appropriate, have authority to review and approve matters on behalf of the Company. This authority does not extend to any matters which are reserved for decision by the Board. The Board is charged with ensuring the corporate objectives for the Company are achieved and are consistent with those of NHI. As a result, the Company's Board has not established its own Audit, Risk, Remuneration or Nomination committees. The Chairperson of each of the NEHS Board Committees provides an update of proceedings to the Company's Board at each subsequent Board meeting.

The Board has approved a formal schedule of matters reserved for its own decision, detailing the specific responsibilities which the Board may not delegate. In order to discharge its duties effectively the meets at least six times per year. Additional meetings of the Board are held when required. The quorum needed for business to be carried out is two Directors as set out in the Articles of Association of the Company (the "Articles"). However, attendance of the full Board is ensured whenever possible. Decisions of the Board will be decided by a majority vote of the Board members in attendance as detailed in the Articles.

The NEHS Governance and Nomination Committee has responsibility for leading the process for Board appointments and for identifying and nominating candidates for appointment to the Board. Board appointments will be based on merit and candidates will be considered against objective criteria. The Company strives to maintain a Board in which a diverse range of skills, knowledge and experiences are combined in an environment which values the input of every Director.

The members of the Board take their responsibilities as Directors very seriously and are mindful of the duties outlined in the Companies Act 2006 at all times. As part of the detailed induction programme received by all Directors on joining the Board, the Company Secretary spends time with each Director outlining their role and responsibilities in this context. The letters of appointment for Non-Executive Directors also outline the duties to which the Directors are required to adhere.

## NOMURA INTERNATIONAL PLC

### YEAR ENDED 31 MARCH 2022

### DIRECTORS' REPORT (CONTINUED)

#### STREAMLINED ENERGY & CARBON REPORTING

On 1 April 2019, the Streamlined Energy and Carbon Reporting was implemented through the enforcement of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulation 2018. The Company has embarked on a journey to measure, manage and reduce our greenhouse gas (GHG) footprint since 2010. Ambitious targets were reset in 2020 to reduce Scope 1 & Scope 2 emissions by 15% by 2025, 27.5% by 2030 & 40% by 2035 aligned to climate science. Ambitious Scope 3 targets have also been set covering, operational water, waste, paper use & business travel.

#### Methodology

The Company's performance is reflected in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). The Company's carbon reporting activities cover Scope 1, 2 & 3 emissions as listed below:

- Scope 1 - Direct emissions over which the Company has management control, covering gas, diesel & company-owned vehicles.
- Scope 2 - Indirect emissions over which the Company has management control, such as electricity.
- Scope 3 - Other indirect emissions, such as waste and travel (road travel, grey fleet)

The fullest range of available emission data have been included. They were gathered on an ongoing basis, with primary evidence being sourced from office managers and managed centrally by the Environmental management team based at 1 Angel Lane. In order to better reflect the environmental benefit of purchasing renewable energy, the electricity emissions are reported in both 'market-based' and 'location-based' method. The primary metrics used by the Company for normalising emissions for inter-office and annual comparison are Floor area (m<sup>2</sup>) and occupied desks.

#### UK Annual Energy & Carbon

For the year ended 31 March 2022, the Company has an adjusted footprint of 9377 tCO<sub>2</sub>e, equating to a year-on-year decrease of 2094 tCO<sub>2</sub>e. The final figures are summarised below:

|                | Gas                    |                      | Diesel               |                      | Company Vehicle Fuel |                      |
|----------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                | (kwh)                  | (tCO <sub>2</sub> e) | (kwh)                | (tCO <sub>2</sub> e) | (kwh)                | (tCO <sub>2</sub> e) |
| <b>Scope 1</b> |                        |                      |                      |                      |                      |                      |
| 2022           | 2,435,512              | 446                  | 59,988               | 15                   | 40,786               | 9                    |
| 2021           | 2,231,624              | 410                  | 79,200               | 20                   | 15,586               | 4                    |
|                |                        |                      |                      |                      |                      |                      |
|                | Electricity (location) |                      | Electricity (market) |                      |                      |                      |
|                | (kwh)                  | (tCO <sub>2</sub> e) | (kwh)                | (tCO <sub>2</sub> e) | (kwh)                | (tCO <sub>2</sub> e) |
| <b>Scope 2</b> |                        |                      |                      |                      |                      |                      |
| 2022           | 38,172,560             | 8,105                | 38,172,560           | 340                  |                      |                      |
| 2021           | 43,337,571             | 10,104               | 43,337,571           | 431                  |                      |                      |

# NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2022

## DIRECTORS' REPORT (CONTINUED)

### STREAMLINED ENERGY & CARBON REPORTING (CONTINUED)

#### UK Annual Energy & Carbon (continued)

| Scope 3                                      | Travel-Grey Fleet |                      | Travel Car Service |                      | Waste          |                                      | Electricity                 |
|--|-------------------|----------------------|--------------------|----------------------|----------------|--------------------------------------|-----------------------------|
|  | (miles)           | (tCO <sub>2</sub> e) | (miles)            | (tCO <sub>2</sub> e) | (kg)           | (tCO <sub>2</sub> e)                 | (tCO <sub>2</sub> e)        |
| 2022   | 49,334            | 12                   | 70,541             | 17                   | 427,966        | 8                                    | 764                         |
| 2021   | 112,042           | 27                   | 47,663             | 16                   | 144,084        | 3                                    | 887                         |
| <b>Adjusted Footprint (TCO<sub>2</sub>e)</b> |                   |                      |                    | <b>Scope 1</b>       | <b>Scope 2</b> | <b>Scope 3</b>                       | <b>Total</b>                |
| 2022   |                   |                      |                    | 471                  | 8,105          | 801                                  | 9,377                       |
| 2021   |                   |                      |                    | 434                  | 10,104         | 933                                  | 11,471                      |
| <b>Intensities</b>                           |                   |                      |                    |                      |                | <b>tCO<sub>2</sub>/m<sup>2</sup></b> | <b>tCO<sub>2</sub>/desk</b> |
| 2022   |                   |                      |                    |                      |                | .23                                  | 5.31                        |
| 2021   |                   |                      |                    |                      |                | .23                                  | 5.31                        |

#### Efficiency Measures

The Company is highly conscious of the unprecedented crisis in the global environment and is dedicated to reducing its GHG emissions to limit the environmental impacts.

The Company's greatest impact on the environment comes from the power used in the buildings. Good practice in managing energy is already an important part of Nomura Group's Real Estate & Services policies and is now part of the fabric of how the Nomura Group is run. This can be seen by the current implementation of an ISO 50001 Energy management system, which enables the Company to continue measuring energy uses in the buildings and identify significant energy users for potential efficiency initiatives.

Examples of energy efficiency and monitoring initiatives during the year are summarised below:

- Continuous LED project upgrades within the building to replace old lighting with energy efficient options on Levels 2, 3, 5, 6, 8 and 10. These combined works are expected to save 494,467 kWh per annum in electricity in 1 Angel Lane. These include perimeter, lay in and runway lighting across the floors.

#### GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. Its approach to manage credit and liquidity risk is described in Note 18 of the Financial Statements. Its capital management procedures and available capital resources are presented and described separately in Note 21 of the Financial Statements.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future of at least twelve months from the date of approval of the Financial Statements. Accordingly the financial statements have been prepared on a going concern basis.

## **NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

### **DIRECTORS' REPORT (CONTINUED)**

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 19. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

#### **AUDITORS**

The Auditors, Ernst & Young LLP, have expressed their willingness to continue in office and a resolution re-appointing them as Auditors and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

**NOMURA INTERNATIONAL PLC**

**YEAR ENDED 31 MARCH 2022**

**DIRECTORS' REPORT (CONTINUED)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable U.K. law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- State whether applicable U.K. Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**BY ORDER OF THE BOARD AT A MEETING HELD ON 21 July 2022**



Christopher Barlow  
Company secretary

21 July 2022

Company Registration number 1550505

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC

### Opinion

We have audited the financial statements of Nomura International Plc ("the Company") for the year ended 31 March 2022 which comprise Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included the following:

- We evaluated the directors' going concern assessment, which covered a period of twelve months from the date of the approval of the financial statements. This assessment included their evaluation of future profitability outlook, regulatory capital, liquidity and funding positions. In addition, we assessed these positions considering management's stress tests which included consideration of principal and emerging risks. The Company's risk profile was considered including credit risk, compliance and operational risk.
- We confirmed our understanding of management's going concern assessment process and challenged management on the inclusion of key factors in their assessment.
- We considered the Company's operational resilience and their response to the impact of Covid-19 and heightened market volatility resulting from the Russia/Ukraine conflict had on its business operations, including the operations of its service providers and the dependencies of the Company to Nomura Holdings Inc., and to Nomura Europe Holdings plc group.

- We obtained and reviewed the documentation related to the expectation and ability of the ultimate parent Company, Nomura Holdings Inc., to continue to provide financial and operational support to the Company.
- We reviewed the Company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.



We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 29 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

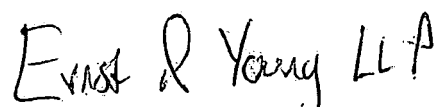
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the regulations and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), FRS 101 reporting framework, Companies Act 2006 and the relevant tax compliance regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making enquiries of Directors and management for their awareness of any non-compliance with laws and regulations and inquiring how the Company maintains and communicates its policies and procedures that have been established to prevent non-compliance with laws and regulations by officers and employees as well as through the evaluation of corroborating documentation. We corroborated our inquiries through review of minutes of management and board of directors' meetings.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and assuming revenue recognition to be a fraud risk. Our procedures included obtaining an understanding of the risks and the Company's controls and processes. We performed detailed substantive procedures for each area to address the fraud risks. These procedures include journal entry testing, which targeted transactions or postings that have certain characteristics which could be indicative of fraudulent activity, and substantially tested the appropriateness of these postings.
- We performed procedures to address the risk of management override controls by testing the appropriateness of manual journal entries to identify whether any entries were inappropriate or inaccurate.
- We evaluated whether management's judgements used in developing accounting estimates indicated possible bias. We reviewed significant transactions to evaluate the business rational for these transactions.
- Throughout the course of the audit, we maintained professional scepticism recognizing the possibility that a material misstatement due to fraud could exist. While performing our audit procedures we did not only seek corroborative evidence to support management's assertions, where applicable we searched for contradictory evidence in order to challenge management's assertions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and those responsible for legal and compliance matters. We tested controls and performed procedures to respond to the fraud risks as stated above. We also reviewed correspondence between the Company and UK regulatory bodies, reviewed minutes of the Board and relevant committee meetings.
- The Company operates in a regulated environment. We have obtained an understanding of the regulations and the potential impact on the Company and, in assessing the control environment, we have considered the compliance of the Company to these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Nicholas Dawes (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
26 July 2022

# NOMURA INTERNATIONAL PLC

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

| Note  |   | <u>Year ended</u><br><u>31 March 2022</u> | <u>Year ended</u><br><u>31 March 2021</u> |
|-------|---|---|---|
|       |   | \$'000                                    | \$'000                                    |
| 2     | <b>TRADING PROFIT</b>   | 1,088,778                                 | 1,680,619                                 |
| 3     | Interest income calculated using effective interest method      | 89,882                                    | 74,023                                    |
| 3     | Other interest and similar income                               | 1,478,131                                 | 1,482,765                                 |
| 3     | Interest expense calculated using the effective interest method | (114,998)                                 | (130,636)                                 |
| 3     | Other interest and similar expenses                             | (1,433,915)                               | (1,376,215)                               |
|       | Net interest income   | 19,100                                    | 49,937                                    |
|       | General and administrative expenses                             | (1,476,878)                               | (1,663,845)                               |
| 5, 18 | Credit impairment release                                       | 965                                       | 40,475                                    |
| 4     | <b>OPERATING (LOSS)/PROFIT</b>                                  | (368,035)                                 | 107,186                                   |
|       | Interest expense on subordinated borrowings                     | (25,450)                                  | (28,786)                                  |
|       | <b>(LOSS)/PROFIT BEFORE TAXATION</b>                            | (393,485)                                 | 78,400                                    |
| 7     | Taxation on (loss)/profit                                       | 21,270                                    | (14,704)                                  |
|       | <b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>                     | (372,215)                                 | 63,696                                    |
|       | <b>OTHER COMPREHENSIVE INCOME/(EXPENSE):</b>                    |   |   |
|       | <b>Items that can be reclassified to profit and loss</b>        |   |   |
|       | Foreign currency gain   | 10  | 155                                       |
|       | <b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR</b>           | (372,205)                                 | 63,851                                    |

The notes on pages 40 to 144 form part of these financial statements.

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

The foreign currency gains and losses resulting from the translation of foreign operations will be reclassified into profit or loss on its disposal or liquidation.

# NOMURA INTERNATIONAL PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

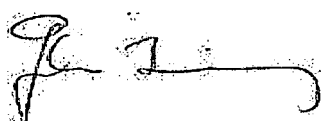
|                                   | Called-up<br>Share<br>Capital | Share<br>Premium | Other<br>Reserves | Capital<br>Redemption<br>Reserve | Share-<br>based<br>Payment<br>Reserve | Retained<br>Earnings | Total            |
|-----------------------------------|-------------------------------|------------------|-------------------|----------------------------------|---------------------------------------|----------------------|------------------|
|                                   | \$'000                        | \$'000           | \$'000            | \$'000                           | \$'000                                | \$'000               | \$'000           |
| At 1 April 2021                   | 11,241,227                    | 27,479           | 157               | 184,498                          | 1,213,167                             | (7,124,214)          | 5,542,314        |
| Loss for the year                 | -                             | -                | -                 | -                                | -                                     | (372,215)            | (372,215)        |
| Other comprehensive gain          | -                             | -                | 10                | -                                | -                                     | -                    | 10               |
| Total comprehensive gain / (loss) | -                             | -                | 10                | -                                | -                                     | (372,215)            | (372,205)        |
| Share-based payment reserve       | -                             | -                | -                 | -                                | 54,359                                | -                    | 54,359           |
| Capital Reduction                 | (8,000,000)                   | -                | -                 | -                                | -                                     | 8,000,000            | -                |
| <b>At 31 March 2022</b>           | <b>3,241,227</b>              | <b>27,479</b>    | <b>167</b>        | <b>184,498</b>                   | <b>1,267,526</b>                      | <b>503,571</b>       | <b>5,224,468</b> |
| At 1 April 2020                   | 11,241,227                    | 27,479           | 2                 | 184,498                          | 1,167,366                             | (7,187,910)          | 5,432,662        |
| Profit for the year               | -                             | -                | -                 | -                                | -                                     | 63,696               | 63,696           |
| Other comprehensive gain          | -                             | -                | 155               | -                                | -                                     | -                    | 155              |
| Total comprehensive gain          | -                             | -                | 155               | -                                | -                                     | 63,696               | 63,851           |
| Share-based payment reserve       | -                             | -                | -                 | -                                | 45,801                                | -                    | 45,801           |
| <b>At 31 March 2021</b>           | <b>11,241,227</b>             | <b>27,479</b>    | <b>157</b>        | <b>184,498</b>                   | <b>1,213,167</b>                      | <b>(7,124,214)</b>   | <b>5,542,314</b> |

# NOMURA INTERNATIONAL PLC

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

| Note  |  | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |
|-------|--|---|---|
|       |  | \$'000                                    | \$'000                                    |
|       | <b>Assets</b>  |   |   |
| 8     | Cash and cash equivalent   | 5,487,226                                 | 3,576,546                                 |
| 8     | Financial assets held for trading                                      | 136,337,353                               | 142,807,007                               |
| 8     | Investment time deposits   | 120,969                                   | 1,139,872                                 |
|       | Current tax receivable   | 37,257                                    | 5,923                                     |
| 8     | Collateral posted for securities purchased under agreements to resell  | 57,573,224                                | 67,360,698                                |
| 8     | Collateral posted for securities borrowed                              | 8,902,337                                 | 12,058,397                                |
| 10    | Other debtors  | 16,892,353                                | 20,576,365                                |
| 8     | Financial investments  | 19,894                                    | 20,466                                    |
| 11    | Tangible assets  | 24,538                                    | 50,904                                    |
| 12    | Intangible assets  | 8,590                                     | 9,816                                     |
| 13    | Investment in subsidiaries   | 4   | 4   |
| 14    | Investment in group companies  | 13,101                                    | 13,101                                    |
|       | <b>Total Assets</b>  | <b>225,416,846</b>                        | <b>247,619,099</b>                        |
|       | <b>Liabilities</b>   |   |   |
| 8, 18 | Financial Liabilities held for trading                                 | 131,151,634                               | 135,183,523                               |
| 15    | Other creditors  | 19,177,072                                | 37,356,501                                |
| 8     | Collateral received for securities sold under agreements to repurchase | 46,221,685                                | 60,730,954                                |
| 8     | Collateral received for securities loaned                              | 7,521,241                                 | 5,999,444                                 |
|       | Provisions   | 246,453                                   | 448,201                                   |
| 8, 16 | Creditors (amounts falling due after more than one year)               | 15,874,293                                | 2,358,162                                 |
|       | <b>Total Liabilities</b>   | <b>220,192,378</b>                        | <b>242,076,785</b>                        |
|       | <b>Shareholders' funds</b>   |   |   |
| 17    | Called up share capital  | 3,241,227                                 | 11,241,227                                |
|       | Share premium  | 27,479                                    | 27,479                                    |
|       | Capital redemption reserve   | 184,498                                   | 184,498                                   |
|       | Other reserve  | 167                                       | 157                                       |
|       | Share-based payment reserve  | 1,267,526                                 | 1,213,167                                 |
|       | Retained earnings  | 503,571                                   | (7,124,214)                               |
|       | <b>Total Equity</b>  | <b>5,224,468</b>                          | <b>5,542,314</b>                          |
|       | <b>Total Liabilities and Equity</b>                                    | <b>225,416,846</b>                        | <b>247,619,099</b>                        |

Approved by the board of Directors on 21 July 2022 and subsequently signed on its behalf on 21 July 2022.



John Tierney,  
Director

The notes on pages 40 to 144 form part of these financial statements.

# NOMURA INTERNATIONAL PLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

|  | <u>Year Ended</u><br><u>31 March 2022</u><br>\$'000 | <u>Year Ended</u><br><u>31 March 2021</u><br>\$'000 |
|--|---|---|
| <b>Operating activities</b>  |   |   |
| (Loss)/Profit before taxation  | (393,485)   | 78,400  |
| <b>Adjustments to reconcile profit before tax to net cash flows</b>                  |   |   |
| Depreciation and amortisation  | 42,238  | 44,454  |
| Interest expense on subordinated borrowings  | 25,450  | 28,786  |
| Internally generated software capitalised  | 57,712  | 58,550  |
| Provisions   | 199   | 151,496   |
| Share-based payment expense for the year   | 54,359  | 45,801  |
| Internally generated software written-off  | 241   | 17,118  |
| Other reserves released  | 10  | 155   |
| Foreign exchange gain  | (79)  | (30)  |
| <b>Change in working capital adjustments</b>   |   |   |
| Net change in financial assets held for trading                                      | 6,469,653   | 33,942,223  |
| Net change in collateral posted for securities purchased under agreements to resell  | 9,787,474   | 7,862,914   |
| Net change in collateral posted for securities borrowed                              | 3,156,060   | (79,304)  |
| Net change in other debtors  | 3,682,048   | 1,512,003   |
| Net change in investment in time deposits  | 1,018,903   | (881,582)   |
| Net change in financial liabilities held for trading                                 | (4,031,889)   | (35,837,721)  |
| Net change in collateral received for securities sold under agreements to repurchase | (14,509,269)  | (3,224,799)   |
| Net change in collateral received for securities loaned                              | 1,521,798   | (1,434,091)   |
| Net change in financial investments  | 571   | (1,756)   |
| Net change in other creditors  | (5,525,922)   | (991,428)   |
| Settlement of litigation provision   | (203,437)   | -   |
| Income tax received/(paid)   | (10,441)  | (16,466)  |
| <b>Net cash flow from operating activities</b>                                       | <u>1,142,194</u>                                    | <u>1,274,723</u>                                    |
| <b>Cash flows from investing activities</b>  |   |   |
| Internally generated software  | (54,421)  | (79,872)  |
| Purchase of fixed assets   | (16,609)  | (10,461)  |
| Proceeds from disposal of fixed assets   | 1,963   | 291   |
| <b>Net cash used in investing activities</b>   | <u>(69,067)</u>                                     | <u>(90,042)</u>                                     |
| <b>Cash flows from financing activities</b>  |   |   |
| Proceeds from borrowings and other liabilities                                       | 932,893   | (24,862)  |
| Interest expense on subordinated borrowings  | (25,450)  | (28,786)  |
| Payment of principal portion of lease liabilities                                    | (29,964)  | (38,772)  |
| <b>Net cash from / (used in) financing activities</b>                                | <u>877,479</u>                                      | <u>(92,420)</u>                                     |
| <b>Net increase in cash and cash equivalents</b>                                     | <u>1,950,606</u>                                    | <u>1,092,261</u>                                    |
| <b>Cash at 1 April</b>   | <u>3,443,451</u>                                    | <u>2,351,190</u>                                    |
| <b>Cash at 31 March</b>  | <u>5,394,057</u>                                    | <u>3,443,451</u>                                    |

**NOMURA INTERNATIONAL PLC**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022  
(CONTINUED)**

|  | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |                                   |                                |
|--|---|---|-----------------------------------|--------------------------------|
|  | \$'000                                    | \$'000                                    |                                   |                                |
| <b>Included within operational cash flows</b>      |   |   |                                   |                                |
| Interest paid                                      | (1,744,380)                               | (1,736,955)                               |                                   |                                |
| Interest received                                  | 1,855,331                                 | 1,827,180                                 |                                   |                                |
|  |   |   |                                   |                                |
|  | <u>31 March</u><br><u>2021</u>            | <u>Cash flows</u>                         | <u>Non Cash</u><br><u>changes</u> | <u>31 March</u><br><u>2022</u> |
|  | \$'000                                    | \$'000                                    | \$'000                            | \$'000                         |
| Lease liabilities                                  | 36,783                                    | (30,344)                                  | 335                               | 6,774                          |
| Borrowings and other liabilities                   | 1,098,163                                 | 932,893                                   | 12,583,237                        | 14,614,293                     |
| Subordinated debt                                  | 1,260,000                                 | (25,450)                                  | 25,450                            | 1,260,000                      |
| <b>Total liabilities from financing activities</b> | <b>2,394,946</b>                          | <b>877,099</b>                            | <b>12,609,022</b>                 | <b>15,881,067</b>              |

Cash balance is presented as gross on the Statement of Financial Position. An overdraft of \$93,168,000 (2021: \$133,095,000) reported as 'other creditors' is considered as cash for the presentation in Statement of Cash Flows.



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022**

#### **1 ACCOUNTING POLICIES**

##### **(a) Basis of Accounting**

The Company has prepared financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and on a going concern basis.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 regarding the reconciliation of outstanding shares, paragraph 40A regarding the presentation of third statement of financial position if retrospective restatement of items is made in the financial statements, paragraph 73(e) of IAS 16 regarding the reconciliation of opening to closing balances for fixed assets and paragraph 118(e) of IAS 38 regarding the reconciliation of opening to closing balances for intangible assets;
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments so that only the descriptions of the share-based payments, the range of exercise prices and weighted average remaining contractual life of the share options outstanding; and the weighted average share price on exercised options is required to be disclosed;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose standards that have been issued but are not yet effective;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report. The Company's financial statements are presented in United States Dollar ("USD") and all values are rounded to the nearest thousand USD (\$'000) except when otherwise indicated. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from having to prepare group accounts since it is a wholly owned subsidiary of NEHS, a company registered in the UK. The results of the Company are included in the consolidated financial statements of NHI, the ultimate parent company. See Note 32 for further details on ultimate and immediate parent companies.

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future of at least twelve months from the date of approval of the Financial Statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(b) New standards, interpretations and amendments thereof, adopted by the Company**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and interpretations as of 1 April 2021, noted below:

##### **IBOR reform Phase 2**

On 1 April 2021, the Company adopted IBOR reform Phase 2, addressing a number of issues in financial reporting areas that arise when interbank offered rates (IBORs) are reformed or replaced. The amendments provide a practical expedient that permits certain changes in the contractual cash flows of debt instruments attributable to the replacement of IBORs with alternative reference rates to be accounted for prospectively by updating a given instrument's effective interest rate (EIR), provided (i) the change is necessary as a direct consequence of IBOR reform and (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis. The Company has adopted the amendments, which have no material effect on the financial statements, however certain further disclosures have been made in Note 29 of the financial statements.

##### **(c) Significant accounting judgements, estimates and assumptions**

The preparation of the 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 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.

In the process of applying the accounting policies, management has made the following estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

- Where there is no active market for a financial instrument, fair value is determined using valuation techniques which could require judgement; and
- Recoverability of deferred tax assets. Carrying value disclosed in Note 7.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(d) Financial Instruments**

###### **i. Classification and Measurement**

Financial instruments are classified either as financial assets or liabilities at amortised cost, financial assets mandatorily at fair value through profit or loss or financial liabilities designated at fair value through profit or loss. The classification and measurement of all financial assets, except equity instruments and derivatives, are assessed based on the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

###### **Business Model**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective, how information is reported to management, frequency of sales of the financial assets and the complexity or potential differences in underlying business model.

There are three business models under IFRS 9 for financial assets:

- Hold to Collect - Financial assets held with the objective to collect contractual cash flows.
- Hold to Collect and Sell - Financial assets held with the objective of both collecting contractual cash flows and selling financial assets.
- Other - Financial assets held with trading intent or that do not meet the "hold to collect" and "hold to collect and sell" qualifying criteria.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(c) Financial Instruments (continued)**

The Company manages a portfolio of financial assets through a hold to collect business model where all of the following criteria are met:

- The portfolio is not managed through a held for trading or fair value management business model;
- The portfolio of financial assets is managed to realise cash flows solely through collecting contractual payments over the life of the financial assets rather than managing the overall return on the portfolio by both holding and selling financial assets; and
- Any sales of financial assets are expected to be infrequent or insignificant.

##### **Solely Payments of Principal and Interest (SPPI):**

To meet the hold to collect business model, the portfolio of financial assets are to be held by the Company with the strategy of collecting cash flows from the financial assets specified by contractual terms of the instrument. A financial asset can only be measured at amortised cost where the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

The most significant elements of interest within a basic lending arrangement are that it is consideration for the time value of money and credit risk. Interest may also include a profit margin.

##### **ii. Financial instruments at fair value through profit or loss**

Financial instruments at fair value through profit or loss includes financial instruments held for trading, financial assets mandatorily at fair value through profit or loss and financial liabilities designated upon initial recognition as at fair value through profit and loss.

##### **iii. Financial instruments held for trading**

Financial instruments are classified as held for trading if they are acquired for the purpose of selling in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. These instruments are generally recognised as regular way transactions, on a settlement date basis. Derivatives are also classified as held for trading.

Derivative instruments, as detailed in note 18, are used for trading and risk management purposes. All derivatives are recognised initially and subsequently carried at fair value, with derivatives having positive fair values carried as assets and derivatives with negative fair values carried as liabilities on the Statement of Financial Position.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(c) Financial Instruments (continued)**

###### **iv. Financial assets mandatorily at fair value through profit and loss**

Financial assets are mandatorily held at fair value through profit and loss where the asset is managed on a fair value basis or if the asset fails the SPPI test. Such assets are generally recognised on settlement date at fair value. From the date the terms are agreed, until the financial asset is funded, the Company recognises any unrealised fair value changes in the financial asset in the profit and loss. Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value.

###### **v. Financial liabilities designated at fair value through profit and loss**

The company designates non-trading financial liabilities to be measured at fair value through profit and loss through election of the fair value option on initial recognition if measurement of the fair value through profit and loss represents the more relevant measurement basis for the financial liability because of how the financial liability is managed with other financial assets and financial liabilities or because of the purpose or the nature of the financial liability itself, the designation is made where any of the following criteria are met:

- It is part of a larger group of financial assets and financial liabilities which is managed on a fair value basis;
- The election would eliminate or significantly reduce a measurement or recognition inconsistency (i.e. accounting mismatch) that would otherwise arise from measuring financial assets or financial liabilities or recognising gains and losses on them on different bases; or
- It is a structured financial liability which contains one or more embedded derivatives where the economic characteristics and risks of the derivative(s) are not closely related to the host and require bifurcation unless the whole instrument is designated to fair value.

The financial liability is initially measured at fair value and transaction costs are taken directly to Profit and Loss.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(c) Financial Instruments (continued)**

###### **vi. Financial instruments at amortised cost**

Financial assets are recognised at amortised cost when the Company's business model objective is to collect the contractual cash flows of the assets and where these cash flows are Solely Payments of Principal and Interest on the principal amount outstanding until maturity, such assets are initially recognised on settlement date. The instruments are initially measured at fair value and subsequently measured at amortised cost less Expected Credit Loss ("ECL") allowance (See 1(c) vii). Interest is recognised in the Profit and Loss in 'Interest income', using the effective interest rate method. Transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value on initial recognition. ECL and reversals thereof are recognised in the Statement of Comprehensive Income in 'credit impairment (charge)/reversal'.

Financial liabilities at amortised cost are initially recognised on settlement date. After initial measurement, these instruments are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

###### **vii. Impairment of financial instruments**

The Company is required to record an allowance for expected losses for all loans and other debt financial assets not held at fair value through profit or loss, together with written loan commitments and financial guarantee contracts and lease receivables.

The general ECL impairment model is used to measure expected credit losses against the majority of financial instruments held by the Company which are subject to impairment through the ECL impairment model under IFRS 9.

Expected credit losses represent the difference between the cash flows that the Company is entitled to receive in accordance with the contractual terms of the financial instrument and the cash flows that the Company ultimately expects to receive based on the ECL impairment model which reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonably and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 1 ACCOUNTING POLICIES (continued)

##### (c) Financial Instruments (continued)

###### vii. Impairment of financial instruments (continued)

In order to determine whether 12 month or lifetime expected credit losses are used, each financial asset and off-balance sheet financial instrument being individually or collectively assessed for impairment is classified at each reporting date into one of following three stages of credit quality deterioration since the financial asset was initially recognised.

- Stage 1 - performing financial assets for which there has been no significant deterioration in credit quality since initial recognition;
- Stage 2 - underperforming financial assets for which there has been a significant increase in credit risk since initial recognition but which are not credit-impaired; and
- Stage 3 - non-performing financial assets for which there has been a significant increase in credit risk since initial recognition and which have become credit-impaired.

The allowance for expected credit losses recognised against stage 1 financial assets is determined using 12 month expected credit losses. Conversely, the allowance against stage 2 or stage 3 financial assets is based on lifetime expected credit losses.

Lifetime expected credit losses represent expected credit losses that would result from all possible default events over the expected life of the financial asset whereas 12 month expected credit losses are those expected credit losses expected to occur within 12 months of balance sheet date.

A financial instrument that is not credit-impaired on initial recognition is initially classified into stage 1 and is typically subsequently continuously monitored to determine whether a significant increase in credit risk has occurred, at which point the financial instrument is reclassified to stage 2. A determination of whether a significant increase in credit risk has occurred at each reporting date will primarily be through a comparison of Nomura Group's internal credit rating applied to the financial instrument at acquisition, origination or issuance and the internal credit rating currently assigned to the financial instrument at the reporting date. A financial instrument will be reclassified into stage 2 where the internal credit rating has declined by more than a specific number of notches, in addition there is a rebuttable presumption that the credit risk of a financial instrument has significantly deteriorated since initial recognition when contractual payments of principal or interest are more than 30 days past due. If there is a further deterioration in credit risk such that the financial instrument becomes credit-impaired, the financial instrument is then reclassified into stage 3.

A stage 3 financial asset can only be classified out of stage 3 and into stage 2 or eventually stage 1 when it no longer meets the definition of being credit-impaired, namely when it is no longer probable that the Company will not be able to collect all principal and interest amounts due in accordance with the original or modified contractual terms of the financial asset.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred since origination or purchase and it is no longer probable that the Company will be able to collect all principal and interest amounts due in accordance with the contractual terms of the financial asset.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(c) Financial Instruments (continued)**

###### **vii. Impairment of financial instruments (continued)**

A default is defined as the failure of an obligor to make payments in full and on time of any financial obligations, markedly disadvantageous modification to a contractual term compared with the existing obligation, bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business of an obligor or other similar situations. A small delay in payment would not automatically be considered a default for determination of whether a financial asset has been credit-impaired. In addition, there is a rebuttable presumption that regardless of the above definition, default is deemed to occur and a financial instrument is credit-impaired when the financial instrument is 90 days or more past due.

A financial instrument will continue to be credit-impaired until the obligor cures the reasons for credit-impairment or there has been a sustained observable period of repayment performance on the financial instrument. Determination of what constitutes a sustained period of repayment performance by the obligor depends on the nature of the financial instrument but will typically be for a period of 6 months or more.

Credit-impaired financial instruments individually assessed for impairment are typically written-off when further cash flows are deemed uncollectible and when all commercially reasonable means of recovering outstanding principle and interest balances have been exhausted. Such a determination is based on factors such as the occurrence of significant changes in the obligor's financial position such that the obligor can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay amounts due.

Write-offs are initially recognised against any existing allowance for expected credit losses and can relate to a financial instrument in its entirety or to a portion of it.

Recoveries are recognised through the Profit and Loss in 'credit impairment (charge) / release' during a reporting period.

For stage 1 and 2 financial assets, interest income is determined by applying the effective interest rate to the gross carrying value. For stage 3 financial assets, interest income is determined by applying the effective interest rate to net carrying amount of the financial asset namely the gross carrying amount less the allowance for expected credit losses.



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(c) Financial Instruments (continued)**

###### **vii. Impairment of financial instruments (continued)**

###### **Measurement of expected credit losses:**

The measurement of expected credit losses through the general ECL impairment model is typically determined within the Company using a loss rate model depending on the relevant staging of the financial instrument. A loss rate model measures expected credit losses for an individual or portfolio of similar financial instruments through development of loss rates calculated through an estimate of the Probability of Default ("PD") of the obligor and Loss Given Default ("LGD") which is applied to the Expected Credit Exposure of the Obligor at Default ("CEAD").

PD inputs are determined by internal Nomura credit rating applied to the financial instrument. PD inputs used by the Company are sourced from industry data and validated based on Nomura's historical experience.

Nomura Group policy is that forward-looking information is incorporated into the PD inputs by forecasting economic scenarios and adjusting the base case inputs for at least one more optimistic and pessimistic scenario.

LGD inputs 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. Where appropriate, LGD inputs are adjusted to reflect the impact of collateral and other integral credit enhancements.

For revolving and non-revolving loan commitments, the relevant absolute measure of CEAD represents an estimate of the total amount of the facility which will be drawn by the obligor by the time of default.

Cash flows expected from collateral and other credit enhancements that are integral to contractual terms of the financial instrument and not recognised separately by the Company are included in the measurement of expected credit losses.

The company permits a low credit risk practical expedient to be used for measurement of expected credit losses, namely that expected credit losses for certain stage 1 financial instruments is determined using a 12 month ECL without formal consideration of whether a significant increase in credit risk has occurred. However, in the event that there is a significant increase in credit risk and subsequently the financial instrument becomes credit-impaired, the financial instrument is reclassified from stage 1 to stage 2 and then stage 3 where expected credit losses are determined using lifetime ECL. A similar approach is applied for certain financial instruments where expected credit losses are very low (either because of the nature of the obligor or the collateral provisions of the financial instrument).

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(c) Financial Instruments (continued)**

###### **vii. Impairment of financial instruments (continued)**

Balances to which the Company applies this approach include the following:

- Default fund contribution receivables from investment grade central clearing counterparties;
- Initial margin and variation margin receivables from investment grade central clearing counterparties;
- Segregated initial margin receivables from investment grade custodians in connection with OTC derivatives and bilateral repurchase agreements;
- Variation margin on derivative transactions and collateralised agreements accounted for at FVPL;
- Cash and cash equivalents;
- Demand deposits and short term investments grade deposits; and
- Loans to clients which are overcollateralised and daily margined dependent on quality and liquidity of underlying collateral.

For those financial instruments the Company identifies significant increases in credit risk through monitoring of observable events or indicators of default in relation to these counterparties.

If a financial asset has been the subject of modification which does not lead to its derecognition, significant increase in credit risk is assessed by comparing the risk of default of the financial instrument, based on the modified terms at the reporting date, with the risk of default of the financial instrument at inception, based on the financial instrument's original, unmodified, terms.

Where the modification of contractual cash flows of a financial asset leads to its derecognition and the recognition of a new asset, the date of modification is treated as the date of initial recognition for the new financial asset when determining whether a significant increase in credit risk has occurred for that modified financial asset. In rare circumstances, after modification, the new asset is considered to be credit impaired, in which case it is treated as an asset which was credit-impaired at origination.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(d) Fair Value of Financial Instruments**

The Company holds a significant portion of financial instruments at fair value, as described below. A description of the Company'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 at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The best evidence of fair value is quoted prices in an active market. Therefore, the fair value of financial instruments, including exchange-traded 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. These models also incorporate adjustments relating to counterparty and the Company's own credit risk 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 unrealised 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 Company's estimates of fair value in the future, potentially affecting trading and non-trading gains and losses. The Company'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.

The Company seeks to minimise market risks by entering into hedging derivatives to economically hedge the exposures of certain fair value designated notes. The Company applies the "portfolio exception" to measure the fair value of this group of financial assets and financial liabilities consistently with how market participants would price the net risk exposure at the measurement date.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(d) Fair Value of Financial Instruments (continued)**

###### **(ii) Recognition of day 1 gains and losses**

The fair value of a financial instrument is normally the transaction price (i.e. the fair value of consideration given or received). In some cases, however, the fair value at inception will be based on a valuation pricing model incorporating only observable parameters in the market or on other observable current market transactions in the same instrument, without modification or repackaging. Where such valuation techniques are used to derive fair values from market observable inputs, the difference between fair value and the transaction price is recognised in profit and loss.

Valuation techniques incorporating significant unobservable parameters may also be used to determine fair value at inception. In such cases, the difference between the transaction price and model value is recognised in profit and loss over the life of the transaction on an appropriate basis, or when the inputs become observable, or when the instrument is derecognised.

##### **(e) Trading Profit**

###### **(i) Principal transactions income and expenses**

Principal transactions income and expenses include realised and unrealised gains and losses from customer trading activities, asset finance, private equity, profits on disposals of related party investments and proprietary trading activities. Principal transactions income and expenses are generated predominantly by financial instruments held for trading and financial instruments designated at fair value through profit or loss. Costs directly attributable to trading are treated as general and administrative expenses.

Trading profit arises on a strategy basis across a range of instruments. It is presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset on the Statement of Financial Position in accordance with the presentation requirements of IAS 32.

###### **(ii) Fees and commission income and expenses**

Fees and commission income includes gains, losses and fees, arising from securities offerings in which the Company acts as an underwriter or agent; fees earned from the provision of financial advisory services; and commission income from the provision of brokerage services.

Revenues are recognised when or as the customer obtains control of the service provided by Nomura which depends on when each of the key distinct substantive promises made by Nomura within the contract with the customer are satisfied. Such performance obligations are generally satisfied at a particularly point in time or, if certain criteria are met, over a period of time.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(ii) Fees and commission income and expenses (continued)**

Underwriting and syndication revenues are recognised at a point in time when the underlying transaction is complete.

Fees contingent on the success of an underlying transaction are variable consideration recognised when the underlying transaction has been completed since only at such point is it probable that a significant reversal of revenue will not occur.

Depending upon whether the company is acting as principal or agent in generating fees and commissions, costs are reported on a gross or net basis respectively.

##### **(f) Interest receivable and interest payable**

Interest receivable and payable includes dividends and interest paid and earned on securities positions, interest on financial instruments at fair value through profit or loss including securities bought and sold under repurchase agreements. Interest receivable and payable is recognised in profit and loss using the effective interest method for interest bearing financial assets and liabilities carried at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or a group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. This calculation takes into account the impact of all fees and commissions paid or received directly attributable to transaction costs, and discounts or premiums that are integral to the effective interest rate.

The Company holds a number of financial assets and liabilities which have been set with negative interest rates. Negative interest on financial assets is presented as other interest and similar expenses. Negative interest on financial liabilities is presented as other interest and similar income.

##### **(g) Other debtors**

Other debtors include financial assets (1c), intangible assets (1n) and other less material non-financial assets.

##### **(h) Derecognition**

Transfers of financial assets and liabilities are assessed to determine if assets can be derecognised. The Company derecognises financial assets when significantly all the risks and rewards of the asset are transferred. If significantly all the risks and rewards of the asset are retained, the Company retains the financial assets on its Statement of Financial Position with an associated liability for the consideration received. If the Company neither transfers nor retains significantly all the risks and rewards of the transferred asset, but retains control over the asset, it recognises the transferred asset and an associated liability measured on a basis that reflects the rights and obligations retained by the Company.

The Company derecognises financial liabilities when the Company's obligations are discharged or cancelled or when they expire.

##### **(i) Offsetting financial instruments**

Financial assets and financial liabilities are presented on a gross basis unless the Company has a current legally enforceable right to set off the financial asset and financial liability and the Company intends to settle the financial asset and financial liability simultaneously or on a net basis.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(j) Combination of financial instruments**

Financial instruments entered into concurrently, in contemplation of each other and with the same counterparty are typically combined into a single financial instrument unless there is a substantive business purpose or economic need to report the transactions separately.

##### **(k) Financial guarantees**

The Company issues financial guarantee contracts which require the Company to reimburse holders of such guarantees for any losses suffered due to a failure by specified debtors to make payments when due as specified by the terms of an underlying debt instrument. Such financial guarantees are initially recognised at fair value. The amount initially recognised includes an adjustment for transaction costs which are directly attributable to the issuance of the guarantee. Financial guarantees are subject to impairment under ECL.

##### **(l) Collateral and other credit enhancements**

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and repurchase transactions, cash or securities;
- For commercial lending, charges over financial and/or non-financial assets; and
- For derivatives, financial and/or non-financial assets; cash or securities.

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

The Company also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master netting arrangements do not normally result in an offset of Statement of Financial Position assets and liabilities unless certain conditions for offsetting under IAS 32 apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that

- For derivatives, cash or securities where cash collateral received or paid are disclosed in other debtors or creditors as broker balances.
- Credit risk is eliminated only to the extent of the amounts due to the same counterparty; and
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 1 ACCOUNTING POLICIES (continued)

##### (m) Tangible assets and depreciation

Tangible assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down to their recoverable amount. Depreciation rates are selected based on expected useful economic lives of the assets, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Company and its circumstances. Fixed assets are currently depreciated on a straight-line basis in order to write off their cost over their expected useful economic lives as follows:

|                          |   |
|--------------------------|---|
| Long lease property      | Over the life of the lease  |
| Furniture and equipment  | Five to ten years   |
| Certain IT Equipment     | Three to Five years   |
| Construction in progress | Not depreciated until completed and transferred to asset categories above |
| Right-of-use asset       | Over the life of the lease  |

Tangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit and loss in the period of derecognition.

Refer to 1(w) for further information relating to the recognition of right-of-use assets.

##### (n) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Internally generated intangible assets are generally not capitalised and expenditure recognised in profit and loss as incurred, other than internally generated software development costs where the Company has technical feasibility to complete the software development, and ability to sell or use the asset and control economic benefits from it. Where internally generated software arises in intellectual property rights that are not controlled by the company, costs are classified as other debtors and amortised over the useful economic life of the software.

Costs incurred in relation to fixed-term or cancellable non-perpetual license agreements are not capitalised and are expensed in profit and loss over the period to which they relate.

Useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over their useful economic life on a straight-line basis and assessed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, and are written down to their recoverable amount. Software assets are generally amortised over a useful life of between 3 and 5 years. The annual amortisation is accounted in general and administrative expenses within the statement of comprehensive income.

##### (o) Fixed asset investments

Investments in subsidiary undertakings, group companies and entities under common control are stated at original cost less amounts written off where there has been impairment in value.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(p) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. The impairment loss is determined by comparing the carrying amount with the recoverable amount of the asset. The recoverable amount is the higher of the assets or the cash-generating unit's fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the asset is deemed impaired and is written down to its recoverable amount.

##### **(q) Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the year-end date, taking into account the risks and uncertainties surrounding the obligation.

No further information is provided in relation to provisions because it may seriously prejudice the outcome of the matters to which the provision relates to.

##### **(r) Foreign currencies**

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Statement of Financial Position date. Income and expenses denominated in a foreign currency are retranslated using appropriate weighted average exchange rates. All differences arising from the application of closing rates of exchange, together with exchange gains/losses from trading activities, are taken to profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

##### **(s) Taxation**

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- (i) the initial recognition of goodwill; or
- (ii) the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised.



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(s) Taxation (continued)**

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (i) is not a business combination; and
- (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities shall not be discounted.

Current tax and deferred tax shall be recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- (i) in other comprehensive income, shall be recognised in other comprehensive income.
- (ii) directly in equity, shall be recognised directly in equity.

The IFRIC 23 Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

##### **(t) Pension costs**

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The defined benefit pension scheme was closed to further accrual in October 2005.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits at the date the plan closed to the current period to determine the present value of the defined benefit obligation and is based on actuarial advice. Past service costs are recognised in profit and loss at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs are recognised. When a settlement (eliminating all obligations for benefits already accrued) occurs, the obligation and related plan assets are remeasured using actuarial assumptions at the date of the settlement and the resultant gain or loss is recognised in other comprehensive income during the period in which the settlement occurs.

The net interest income or expense is calculated by applying the discount rate on the net defined benefit liability or asset respectively and recognised in profit and loss. It is determined by applying the discount rate to the opening net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the year.

Remeasurements of the net defined benefit liability or asset comprising of actuarial gains and losses, the return on plan assets excluding amounts recognised as net interest and the effect of the asset ceiling are recognised in full in other comprehensive income.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(t) Pension costs (continued)**

The defined benefit pension asset or liability in the Statement of Financial Position comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status and broadly consistent term to the liabilities) and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the current bid price. Where the Company purchased insurance policies to cover a benefit obligation, the value of insurance policies is equal to the value of the related obligation.

Any net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan.

This plan is governed by the Trust Deed and Rules dated 28 May 2009. The level of benefits provided in the defined benefits section depends on the member's length of service and salary at date of leaving Pensionable Service. The fund is governed by a Trustee Company, comprising 4 directors appointed by the employer and 2 directors appointed by the members. The Board of Trustees is responsible for the administration of the scheme and setting the investment policy.

The defined benefit liability is shown on the Statement of Financial Position gross of deferred tax.

##### **(u) Share-based payments and other deferred compensation plans**

The Company and the ultimate holding company of the Nomura Group, NHI grants share-based and similar deferred compensation awards to Directors and employees of the Company in exchange for providing employment services to the Company. Such are classified as either equity-settled or cash-settled transactions depending on the terms of the award.

Awards such as Stock Acquisition Rights ("SARs") issued by NHI which are expected to be settled by the delivery of NHI common stock are classified as equity-settled transactions. For these awards, total compensation cost is generally fixed at grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

The cost of equity-settled transactions issued and settled by NHI is recognised in profit and loss, together with a corresponding increase in reserves, representing the contribution received from NHI, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date'). The cumulative expense recognised for equity-settled transactions at each Statement of Financial Position date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Awards such as Notional Stock Units ("NSUs") and Collared Notional Stock Units ("CSUs") which are expected to be settled in cash are classified as cash-settled transactions. Other awards such as Notional Index Units ("NIUs") which are linked to a world stock index quoted by Morgan Stanley Capital International and which are expected to be cash settled are also effectively classified as cash-settled transactions. Cash-settled transactions are remeasured to fair value at each Statement of Financial Position date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount. Similar to the equity-settled transactions, compensation cost is recognised in profit and loss over the vesting period.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(u) Share-based payments and other deferred compensation plans (continued)**

All awards include "Full Career Retirement" provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. The vesting period for these awards ends on the earlier of the contractual vesting date and the date that the recipient becomes eligible for Full Career Retirement.

##### **(v) Share Capital**

Share capital meeting the definition of an equity instrument under IAS 32 is disclosed within shareholders' funds. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

##### **(w) Leases**

###### **As a lessee**

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. At lease commencement date, the Company recognises a right-of-use ('ROU') asset within "tangible assets" (further details in 1(m)) and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. Certain lease contracts include extension and termination options which are considered in determining the lease term and whether the Company is reasonably certain to exercise or not to exercise that option as well as variable lease payments.

###### **As a lessor**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. It is classified by making an overall assessment on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. The Company is an intermediate lessor in relation to certain leased office space, these subleases are classified as finance leases under IFRS 16, a net investment in lease is recognised as the present value of lease payments receivable discounted at the incremental borrowing rate with the corresponding right of use asset relating to the head lease being derecognised and any difference recognised in the income statement. Subsequently the effective interest on the net investment in lease is recognised in the income statement as interest and other similar income. Net investment in lease are assessed for impairment under requirements of IFRS 9 on an ongoing basis outlined in Note 1(c)(vi) and are derecognised in line with principles outlined in Note 1(h).

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (continued)**

##### **(x) Cash Flow Statement**

The cash flow statement reconciles the increase or decrease in cash and cash equivalent in the period.

##### **Cash and cash equivalent**

Cash and cash equivalent comprises of cash and demand deposits denominated in foreign currencies. It also includes cash equivalents which are short-term, highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

##### **(y) Reserves**

The Company has the following reserve accounts:

- Capital redemption reserve: a statutory, non-distributable reserve into which amounts are transferred following the redemption of the Company's own shares.
- Share-based payment reserve: the cost of equity-settled transactions is recognised in the profit and loss account, together with a corresponding increase recorded within this reserve.
- Profit and loss account: Represents the accumulated retained earnings of the Company.
- Other reserve: the reserve contains the foreign currency gains and losses arising from the translation of foreign operations.

##### **(z) Significant accounting changes in the year**

There were no new accounting standards adopted in the year with material effect.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 2 TRADING PROFIT

All of the Company's trading profit is derived from Wholesale, comprising trading and sales in fixed income, equity products and related derivatives, investment banking services, principal, corporate asset finance and private equity, to which all net assets are attributable.

##### a. Segmental Analysis

The trading profit is attributable to the following revenue streams:

|   | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |
|---|---|---|
|   | \$'000                                    | \$'000                                    |
| Net fees and commissions                              | 686,128                                   | 551,629                                   |
| Principal transactions                                | 7,659                                     | 219,233                                   |
| Other revenues <sup>1</sup>                           | 545,853                                   | 1,083,840                                 |
| Less : attributable transaction expenses <sup>1</sup> | <u>(150,862)</u>                          | <u>(174,083)</u>                          |
| Trading profit  | <u>1,088,778</u>                          | <u>1,680,619</u>                          |

\$750,900,609 (2021: \$1,303,017,233) of the trading profit in the year ended 31 March 2022 is attributable to EMEA and \$337,877,431 (2021: \$377,601,661) to offshore markets. Due to the integrated nature of the Company's business, it is not meaningful to provide a geographical split of the Company's total assets.

<sup>1</sup> Attributable transaction expenses' excludes sales credit expense to other Nomura Group entities. Sales credit expenses are included in 'general and administrative expenses' whereas sales credit income are included in 'other revenues'.

##### b. Analysis of net fee and commission income:

|                          | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |
|--------------------------|---|---|
|                          | \$'000                                    | \$'000                                    |
| Brokerage commissions    | 406,847                                   | 284,649                                   |
| Arrangement fees         | 134,770                                   | 108,083                                   |
| Advisory                 | 77,491                                    | 89,044                                    |
| Other fees               | <u>67,020</u>                             | <u>69,853</u>                             |
| Net fees and commissions | <u>686,128</u>                            | <u>551,629</u>                            |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 2 TRADING PROFIT (CONTINUED)

#### c. Analysis of principal transactions by financial instrument type:

|   | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |
|---|---|---|
|   | \$'000                                    | \$'000                                    |
| Financial instruments held for trading                      | (168,650)                                 | 384,068                                   |
| Financial instruments at fair value through profit and loss | 176,309                                   | (164,835)                                 |
| Principal transactions                                      | <u>7,659</u>                              | <u>219,233</u>                            |

#### d. Analysis of financial instruments held for trading by product type:

The net gain / (loss) from trading in financial assets and financial liabilities shown in profit and loss includes the following:

|                             | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |
|-----------------------------|---|---|
|                             | \$'000                                    | \$'000                                    |
| Bond and equity derivatives | (1,248,566)                               | (1,491,571)                               |
| Convertible bonds           | (305,943)                                 | (479,802)                                 |
| Equities                    | (661,114)                                 | 1,432,309                                 |
| Warrants                    | 3,124                                     | 27,763                                    |
| Bank and corporate bonds    | 403,037                                   | (137,194)                                 |
| Government bonds            | 185,638                                   | 699,591                                   |
| Interest rate derivatives   | 1,512,372                                 | 87,901                                    |
| Currency derivatives        | (76,856)                                  | 504,752                                   |
| Credit derivatives          | 19,658                                    | (259,681)                                 |
|                             | <u>(168,650)</u>                          | <u>384,068</u>                            |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 3 INTEREST INCOME AND EXPENSE

Analysis of total interest income and expense by financial instrument type:

|  | <u>Year Ended</u><br><u>31 March 2022</u><br>\$'000 | <u>Year Ended</u><br><u>31 March 2021</u><br>\$'000 |
|--|---|---|
| <b>Interest income calculated using the effective interest method</b>  |   |   |
| Cash and short-term funds  | 89,882  | 74,023  |
|  | <u>89,882</u>                                       | <u>74,023</u>                                       |
| <b>Other interest and similar income</b>                               |   |   |
| Secured financing transactions <sup>1</sup>                            | 1,300,853   | 1,364,178   |
| Financial instruments at fair value through profit and loss            | 172,978   | 116,031   |
| Other  | 4,300   | 2,556   |
|  | <u>1,478,131</u>                                    | <u>1,482,765</u>                                    |
|  |   |   |
|  | <u>Year Ended</u><br><u>31 March 2022</u><br>\$'000 | <u>Year Ended</u><br><u>31 March 2021</u><br>\$'000 |
| <b>Interest expense calculated using the effective interest method</b> |   |   |
| Overdrafts and loans   | (114,998)   | (130,636)   |
|  | <u>(114,998)</u>                                    | <u>(130,636)</u>                                    |
| <b>Other interest and similar expenses</b>                             |   |   |
| Secured financing transactions <sup>2</sup>                            | (1,345,877)   | (1,286,837)   |
| Financial instruments at fair value through profit and loss            | (17,606)  | (22,417)  |
| Other  | (70,432)  | (66,961)  |
|  | <u>(1,433,915)</u>                                  | <u>(1,376,215)</u>                                  |

<sup>1</sup> Includes \$901m (2021: \$734m) of interest income on securities lent and repurchase agreements with negative interest rates for the year ended 31 March 2022

<sup>2</sup> Includes \$873m (2021: \$714m) of interest expense on securities borrowed and reverse repurchase agreements with negative interest rates for the year ended 31 March 2022.

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 4 PROFIT/(LOSS) BEFORE TAXATION

Loss/Profit on ordinary activities before tax for the Company is stated after charging/(crediting):

|  | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |
|--|---|---|
|  | \$'000                                    | \$'000                                    |
| Wages, salaries and other personnel costs          | 544,131                                   | 543,392                                   |
| Provisions for litigation                          | 1,164                                     | 151,817                                   |
| Social security costs                              | 61,570                                    | 65,246                                    |
| Pension cost - defined benefit contribution        | 25,717                                    | 23,746                                    |
| Depreciation and amortisation (note 11 & 12)       | 10,229                                    | 8,048                                     |
| Depreciation on right-of-use assets                | 32,009                                    | 36,406                                    |
| Software expenses                                  | 57,712                                    | 58,550                                    |
| Auditors remuneration including expenses           |   |   |
| - Audit  | 2,227                                     | 2,077                                     |
| - Audit-related assurance services                 | 572                                       | 536                                       |
| - All other services                               | -   | 19  |
| Interest receivable from Nomura Group undertakings | (435,117)                                 | (434,718)                                 |
| Interest payable from Nomura Group undertakings    | 482,146                                   | 507,389                                   |

In addition to the audit fee shown above, an amount of \$1,394,829 (2021: \$1,282,024) was borne by NHI.

### 5 CREDIT IMPAIRMENT RELEASE

|   | <u>Year Ended</u><br><u>31 March 2022</u> | <u>Year Ended</u><br><u>31 March 2021</u> |
|---|---|---|
|   | \$'000                                    | \$'000                                    |
| Stage 1: 12-month ECL                       | 241                                       | (4,695)                                   |
| - Other debtors                             | 5   | (3,892)                                   |
| - Commitments and financial guarantees      | 236                                       | (803)                                     |
| Stage 2: Lifetime ECL – not credit-impaired | (1,206)                                   | (10,420)                                  |
| - Other debtors                             | (1,494)                                   | (10,606)                                  |
| - Commitments and financial guarantees      | 288                                       | 186                                       |
| Stage 3: Lifetime ECL credit impaired       | -   | (25,360)                                  |
| - Other debtors                             | -   | (25,360)                                  |
|   | <u>(965)</u>                              | <u>(40,475)</u>                           |



## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 6 DEFINED BENEFIT PENSION SCHEME

A valuation of the defined benefit pension scheme was undertaken at 31 March 2022 by a qualified independent actuary employed by Premier Pensions Management Ltd, by rolling forward the results of the full actuarial valuation as at 31 March 2021.

During the year ended 31 March 2022, the Company made no additional contributions and the fund remained in surplus.

As the plan closed to all future accrual with effect 31 October 2005, there is no future benefit accrual and therefore no surplus is to be recognised in the Company's Statement of Financial Position. The expected employer's contribution to the Company's defined benefit pension scheme for year ended 31 March 2022 is nil (2021: nil). The Trustees have historically insured their pensioner amounts using a buy-in insurance contract with Aviva. More recently, the Trustees have extended their policy of insuring the pure defined benefit liabilities in the scheme by the purchase of a bulk annuity policy with Pension Insurance Corporation.

The major assumptions used by the actuary to calculate the defined benefit liability are set out below:

|   | <b><u>Year Ended</u></b><br><b><u>31 March 2022</u></b> | <b><u>Year Ended</u></b><br><b><u>31 March 2021</u></b> |
|---|---|---|
|   | <b>%</b>  | <b>%</b>  |
| Rate of increase in pensions in payment   | 3.86  | 3.30  |
| Rate of increase in pensions in deferment | 3.36  | 2.65  |
| Discount rate                             | 2.64  | 1.90  |
| Inflation assumption                      | 3.36  | 2.65  |

Life expectancy from mortality tables used to determine benefit obligations at:

|  | <b><u>Year Ended</u></b><br><b><u>31 March 2022</u></b> | <b><u>Year Ended</u></b><br><b><u>31 March 2021</u></b> |
|--|---|---|
|  | <b>Years</b>  | <b>Years</b>  |
| Male Member age 60 (life expectancy at age 60)   | 28.8  | 29.3  |
| Male Member age 40 (life expectancy at age 60)   | 30.7  | 32.0  |
| Female Member age 60 (life expectancy at age 60) | 31.5  | 32.0  |
| Female Member age 40 (life expectancy at age 60) | 33.3  | 34.4  |

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 6 DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The assets and liabilities of the scheme and the expected long-term rates of return were:

|                                     | <u>Year Ended</u><br><u>31 March 2022</u> |           | <u>Year ended</u><br><u>31 March 2021</u> |           |
|-------------------------------------|---|-----------|---|-----------|
|                                     | %   | \$'000    | %   | \$'000    |
| Equities                            | 2.64                                      | 17,957    | 1.90                                      | 19,842    |
| Dividend growth rate                | 2.64                                      | 11,364    | 1.90                                      | 12,990    |
| Cash                                | 2.64                                      | 1,338     | 1.90                                      | 971       |
| Annuities                           | 2.64                                      | 255,631   | 1.90                                      | 299,954   |
| Market value of assets              |   | 286,290   |   | 333,757   |
| Present value of scheme liabilities |   | (263,357) |   | (311,527) |
| Surplus in the scheme               |   | 22,933    |   | 22,230    |
| Effect of surplus cap               |   | (22,933)  |   | (22,230)  |
| Recoverable deficit in the scheme   |   | -         |   | -         |
| Deferred tax asset                  |   | -         |   | -         |
| Net pension liability               |   | -         |   | -         |

The fair values of the equities and dividend growth funds are determined via quoted prices.

The Company does not recognise the pension surplus as an asset as an unconditional right to a refund does not exist. The right to a refund requires the approval of the third party plan trustees and as such is contingent upon factors beyond the Company's control. To the extent the right is contingent, no asset is recognised. The Trustees of the Pension Scheme carry out a triennial actuarial valuation of the assets and liabilities. The latest report as at 31 March 2021 indicated a funding surplus of \$15m, which was less than the accounting surplus for the same period. This was primarily due to more prudent assumptions used in the Trustees' funding calculations.

Following a confirmatory judgement in the Lloyds Banking Group case in October 2018, pension schemes with any Guaranteed Minimum Pension ("GMP") earned between 17 May 1990 and 5 April 1997 are now required to pay fully sex-equalised benefits. In anticipation of this, an estimated liability of \$3.1m was recognised during the year ended 31 March 2019.

A further judgement in November 2020 confirmed that pensions schemes retained a liability to pay fully sex-equalised benefits in respect of GMP earned between 17 May 1990 and 5 April 1997 even when those benefits have since been transferred out of the scheme. A further estimated liability of \$0.9m was therefore recognised during the year ended 31 March 2021. There have been no further adjustments to these liabilities for GMP equalisation in the 31 March 2022 disclosures.

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 6 DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amount charged to other finance income:

|   | <u>31 March 2022</u> | <u>31 March 2021</u> |
|---|----------------------|----------------------|
|   | <u>\$'000</u>        | <u>\$'000</u>        |
| <b>Amount charged to other finance income</b> |                      |                      |
| Interest income on pension scheme assets      | 6,159                | 6,717                |
| Interest cost on pension scheme liabilities   | (5,742)              | (6,141)              |
| Interest on the effect of asset ceiling       | (417)                | (576)                |
| Net Interest                                  | -                    | -                    |

The amounts recognised in the statement of comprehensive income for the year are set out below:

|   | <u>31 March 2022</u> | <u>31 March 2021</u> |
|---|----------------------|----------------------|
|   | <u>\$'000</u>        | <u>\$'000</u>        |
| Actual return on pension scheme assets less interest                        | (28,670)             | 30,529               |
| Actuarial gains / (loss) arising on pension scheme liabilities              | 30,030               | (33,474)             |
| Actuarial gains / (losses) before adjustment due to movement in surplus cap | 1,360                | (2,945)              |
| Adjustment due to movement in surplus cap                                   | (1,360)              | 2,945                |
| Actuarial loss recognised in other comprehensive income                     | -                    | -                    |

The defined benefit pension scheme has no effect on the net assets and reserves of the Company (2021: no effect). Analysis of movements in benefit obligation and plan assets during the year:

|  | <u>Year ended</u>    | <u>Year ended</u>    |
|--|----------------------|----------------------|
|  | <u>31 March 2022</u> | <u>31 March 2021</u> |
|  | <u>\$'000</u>        | <u>\$'000</u>        |
| <b>Change in benefit obligations</b>     |                      |                      |
| Benefit obligations at beginning of year | (311,527)            | (251,449)            |
| Other remeasurement changes              | -                    | (921)                |
| Interest cost                            | (5,742)              | (6,141)              |
| Actuarial gains / (losses)               | 30,030               | (33,474)             |
| Benefits paid                            | 10,855               | 9,043                |
| Foreign currency exchange gains / (loss) | 13,027               | (28,585)             |
| Benefit obligations at end of year       | (263,357)            | (311,527)            |

|  | <u>Year ended</u>    | <u>Year ended</u>    |
|--|----------------------|----------------------|
|  | <u>31 March 2022</u> | <u>31 March 2021</u> |
|  | <u>\$'000</u>        | <u>\$'000</u>        |
| <b>Change in plan assets</b>                   |                      |                      |
| Fair value of plan assets at beginning of year | 333,757              | 274,629              |
| Interest income on plan assets                 | 6,159                | 6,717                |
| Actuarial (losses) / gains                     | (28,670)             | 30,529               |
| Benefits paid from plan                        | (10,855)             | (9,043)              |
| Foreign currency exchange (losses) / gains     | (14,101)             | 30,925               |
| Fair value of plan assets at end of year       | 286,290              | 333,757              |

### Sensitivity analysis of significant actuarial assumptions

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 6 DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The table below presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would be affected by changes in the relevant actuarial assumption that were reasonably possible at the Statement of Financial Position date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. This sensitivity analysis applies to the defined benefit obligation and not to the net defined benefit asset / (liability) in its entirety. Caution should be used in extrapolating the sensitivities below to the overall impact on the defined benefit obligation as the sensitivities may not be linear.

|  | <u>Year ended</u><br><u>31 March 2022</u><br>\$'000 | <u>Year ended</u><br><u>31 March 2021</u><br>\$'000 |
|--|---|---|
| <b>Sensitivity analysis of significant actuarial assumptions</b> |   |   |
| Discount rate applied to scheme liabilities                      |   |   |
| Increase by 0.1%   | (37,130)  | (51,062)  |
| Decrease by 0.1%   | 49,234  | 69,396  |
| Inflation assumption   |   |   |
| Increase by 0.1%   | 23,209  | 37,694  |
| Decrease by 0.1%   | (25,540)  | (39,123)  |
| Life expectancy  |   |   |
| Increase by 1 Year   | 8,390   | 10,549  |
| Decrease by 1 Year   | (8,313)   | (10,430)  |

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded. Maturity profile of defined benefit pension scheme:

|                                   | <u>Year ended</u><br><u>31 March 2022</u><br>\$'000 | <u>Year ended</u><br><u>31 March 2021</u><br>\$'000 |
|-----------------------------------|---|---|
| <b>Defined benefit obligation</b> |   |   |
| Current pensioners                | 118,052   | 102,309   |
| Deferred pensioners               | 145,305   | 209,218   |
|                                   | <u>Years</u>  | <u>Years</u>  |
| <b>Weighted average age</b>       |   |   |
| Current pensioners                | 67.0  | 68.0  |
| Deferred pensioners               | 58.0  | 57.0  |
| <b>Duration</b>                   |   |   |
| Current pensioners                | 15.5  | 15.0  |
| Deferred pensioners               | 21.5  | 21.0  |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 7 INCOME TAX

#### Tax expense

|  | <u>Year ended</u><br><u>31 March 2022</u><br>\$'000 | <u>Year ended</u><br><u>31 March 2021</u><br>\$'000 |
|--|---|---|
| <b>Current taxation</b>                            |   |   |
| UK Corporation tax charge/(credit)                 | (22,301)  | 17,181  |
| Foreign tax charge                                 | -   | 5   |
| Adjustment in respect of prior years               | 1,031   | (2,482)   |
| Current tax charge/(credit)                        | (21,270)  | 14,704  |
| <b>Deferred taxation</b>                           |   |   |
| Origination and reversal of temporary differences  | 2   |   |
| Effect of changes in tax rates                     | (2)   |   |
| Adjustment in respect of prior years               |   |   |
| Deferred tax charge/(credit)                       |   |   |
| Tax (credit)/charge in the profit and loss account | (21,270)  | 14,704  |

#### Tax reconciliation

The tax charged to the income statement differs from the tax charge that would be if it had been calculated by reference to the UK corporation tax rate as follows:

|   | <u>Year ended</u><br><u>31 March 2022</u><br>\$'000 | <u>Year ended</u><br><u>31 March 2021</u><br>\$'000 |
|---|---|---|
| Profit/(Loss) before Taxation   | (393,485)   | 78,400  |
| UK corporation tax charge/(credit) at 19% (2021: 19%)                                     | (74,762)  | 14,896  |
| Expenses not deductible and income not taxable for tax                                    | (282)   | 27,138  |
| Loss carry back   | (4,448)   | -   |
| Group relief to group entities charged at a rate different to the UK corporation tax rate | 5,292   | -   |
| Adjustment to previously unrecognised deferred tax assets                                 | -   | 7   |
| Current year movement in unrecognised deferred tax assets                                 | 51,901  | (28,196)  |
| Effect of tax rate change   | (2)   |   |
| Foreign tax charge  | -   | 5   |
| Foreign tax relief  | -   | 3   |
| Adjustment in respect of prior years  | 1,031   | (2,482)   |
| Banking surcharge at 8%   | -   | 3,700   |
| Foreign exchange (gain)/loss on tax balances  | -   | (367)   |
| Tax charge/(credit) in income statement   | (21,270)  | 14,704  |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 7 INCOME TAX (CONTINUED)

#### Movement of recognised deferred tax assets and liabilities

|   | Unused<br>trade losses | Tax<br>transitional<br>adjustments | Total  |
|---|------------------------|------------------------------------|--------|
|   | \$'000                 | \$'000                             | \$'000 |
| Asset / (Liability) as at beginning of FY | 58                     | (58)                               | -      |
| Income statement                          | 4                      | (4)                                | -      |
| Asset / (Liability) as at 31 March 2022   | 62                     | (62)                               | -      |

#### (b) Unrecognised deferred tax assets and (liabilities)

|  | 31 March 2022 | 31 March 2021 |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| Unused trade losses                    | 1,097,825     | 796,087       |
| Unused capital losses                  | 171           | 130           |
| Decelerated capital allowance          | 150,422       | 101,408       |
| Deferred emoluments                    | 5,976         | 5,703         |
| Share-based payment                    | 20,439        | 18,237        |
| Total unrecognised deferred tax assets | 1,274,833     | 921,565       |

Finance Act 2021, enacted on 10th June 2021, increases the headline corporation tax rate from 19% to 25% on 1 April 2023. Deferred tax assets and liabilities as at the balance sheet date are calculated by reference to the most appropriate enacted rates as at 31 March 2022.

Under UK tax rules, unused trade losses can be carried forward indefinitely. The amount of current year taxable profits that can be relieved by unused tax losses incurred by 31 March 2015 is restricted to 25% of such profits. The utilisation of unused trade losses incurred on or after 1 April 2015 against current year taxable profits is restricted to 50% of such profits subject to an annual £5 million allowance. Trade losses incurred on or after 1 April 2017 and carried forward to subsequent years can be surrendered as group relief subject to the 50% restriction and the annual £5 million allowance.

The Company has unused trade losses of \$4.4 billion (2021: \$4.2 billion). A deferred tax asset of \$1,097.8 million (2021: \$796.1 million) is not recognised in respect of the unused trade losses due to uncertainty surrounding the availability of future taxable profits.

The Company has unused capital losses of \$0.7 million (2021: \$0.7 million) that is available to set off against future chargeable gains. A deferred tax asset of \$0.1 million (2021: \$0.1 million) is not recognised in respect of the unused capital losses due to uncertainty surrounding the availability of future chargeable gains.

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**8 FINANCIAL INSTRUMENTS**

**Analysis of the Company's financial assets and financial liabilities:**

|  | <u>2022</u>          | <u>2022</u>        | <u>2022</u>         | <u>2022</u>         | <u>2022</u>          |
|--|----------------------|--------------------|---------------------|---------------------|----------------------|
|  | <u>Held for</u>      | <u>Mandatorily</u> | <u>Designated</u>   | <u>Amortised</u>    | <u>Total</u>         |
|  | <u>Trading</u>       | <u>atFVPL</u>      | <u>atFVPL</u>       | <u>Cost</u>         |                      |
|  | <u>\$'000</u>        | <u>\$'000</u>      | <u>\$'000</u>       | <u>\$'000</u>       | <u>\$'000</u>        |
| <b>Financial assets</b>  |                      |                    |                     |                     |                      |
| Cash and cash equivalent   | -                    | -                  | -                   | 5,487,226           | 5,487,226            |
| Financial assets held for trading                                      | 136,337,353          | -                  | -                   | -                   | 136,337,353          |
| Investment time deposits   | -                    | 2,130              | -                   | 118,839             | 120,969              |
| Collateral posted for securities purchased under agreements to resell  | -                    | 57,573,224         | -                   | -                   | 57,573,224           |
| Collateral posted for securities borrowed                              | -                    | 8,902,337          | -                   | -                   | 8,902,337            |
| Financial investments  | -                    | 19,894             | -                   | -                   | 19,894               |
| Other debtors  | -                    | 2,556,262          | -                   | 14,166,126          | 16,722,388           |
|  | <u>136,337,353</u>   | <u>69,053,847</u>  | <u>-</u>            | <u>19,772,191</u>   | <u>225,163,392</u>   |
| <b>Financial liabilities</b>   |                      |                    |                     |                     |                      |
| Financial liabilities held for trading                                 | (131,151,634)        | -                  | -                   | -                   | (131,151,634)        |
| Other creditors  | -                    | -                  | (1,096,017)         | (17,873,174)        | (18,969,191)         |
| Collateral received for securities sold under agreements to repurchase | -                    | -                  | (46,221,685)        | -                   | (46,221,685)         |
| Collateral received for securities loaned                              | -                    | -                  | (7,521,241)         | -                   | (7,521,241)          |
| Creditors (amounts falling due after more than one year)               | -                    | -                  | (106,593)           | (15,767,700)        | (15,874,293)         |
|  | <u>(131,151,634)</u> | <u>-</u>           | <u>(54,945,537)</u> | <u>(33,640,874)</u> | <u>(219,738,045)</u> |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**8 FINANCIAL INSTRUMENTS (CONTINUED)**

|  | <u>2021</u>     | <u>2021</u>        | <u>2021</u>       | <u>2021</u>      | <u>2021</u>   |
|--|-----------------|--------------------|-------------------|------------------|---------------|
|  | <u>Held for</u> | <u>Mandatorily</u> | <u>Designated</u> | <u>Amortised</u> | <u>Total</u>  |
|  | <u>trading</u>  | <u>at FVPL</u>     | <u>at FVPL</u>    | <u>Cost</u>      |               |
|  | <u>\$'000</u>   | <u>\$'000</u>      | <u>\$'000</u>     | <u>\$'000</u>    | <u>\$'000</u> |
| <b>Financial assets</b>  |                 |                    |                   |                  |               |
| Cash and cash equivalent   | -               | -                  | -                 | 3,576,546        | 3,576,546     |
| Financial assets held for trading                                      | 142,807,007     | -                  | -                 | -                | 142,807,007   |
| Investment time deposits   | -               | 3,817              | -                 | 1,136,055        | 1,139,872     |
| Collateral posted for securities purchased under agreements to resell  | -               | 67,360,698         | -                 | -                | 67,360,698    |
| Collateral posted for securities borrowed                              | -               | 12,058,397         | -                 | -                | 12,058,397    |
| Financial investments  | -               | 20,466             | -                 | -                | 20,466        |
| Other debtors  | -               | 2,569,256          | -                 | 17,829,347       | 20,398,603    |
|  | 142,807,007     | 82,012,634         | -                 | 22,541,948       | 247,361,589   |
| <b>Financial liabilities</b>   |                 |                    |                   |                  |               |
| Financial liabilities held for trading                                 | (135,183,523)   | -                  | -                 | -                | (135,183,523) |
| Other creditors  | -               | -                  | (933,774)         | (36,134,707)     | (37,068,481)  |
| Collateral received for securities sold under agreements to repurchase | -               | -                  | (60,730,954)      | -                | (60,730,954)  |
| Collateral received for securities loaned                              | -               | -                  | (5,999,444)       | -                | (5,999,444)   |
| Creditors (amounts falling due after more than one year)               | -               | -                  | (48,047)          | (2,310,116)      | (2,358,163)   |
|  | (135,183,523)   | -                  | (67,712,219)      | (38,444,823)     | (241,340,565) |



# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 8 FINANCIAL INSTRUMENTS (CONTINUED)

#### Analysis of the Company's financial assets and financial liabilities classification (continued)

Included within the financial instruments at amortised cost above are the following positions with fellow Nomura Group undertakings:

|   | <b>2022</b><br><b>\$'000</b> | <b>2021</b><br><b>\$'000</b> |
|---|------------------------------|------------------------------|
| <b>Financial assets</b>                                 |                              |                              |
| Investment time deposits                                | 32,000                       | 1,061,826                    |
| Other debtors   | 3,846,765                    | 7,339,366                    |
|   | <u>3,878,765</u>             | <u>8,401,192</u>             |
| <b>Financial liabilities</b>                            |                              |                              |
| Other creditors   | (6,837,502)                  | (21,405,123)                 |
| Creditors: amounts falling due after more than one year | <u>(15,674,844)</u>          | <u>(2,310,116)</u>           |
|   | <u>(22,512,346)</u>          | <u>(23,715,239)</u>          |

#### Analysis of the Company's financial assets and financial liabilities by product type

The following table analyses the Company's held at fair value through profit and loss financial assets and liabilities by product type:

|  | <b>2022</b><br><b>\$'000</b> | <b>2021</b><br><b>\$'000</b> |
|--|------------------------------|------------------------------|
| <b>Financial assets</b>  |                              |                              |
| Equity securities  | 6,379,254                    | 10,016,417                   |
| Debt securities and loans  | 4,339,267                    | 5,168,635                    |
| Derivatives  | 125,618,833                  | 127,621,955                  |
| Collateral posted for securities purchased under agreements to resell  | 57,573,224                   | 67,360,698                   |
| Collateral posted for securities borrowed                              | 8,902,337                    | 12,058,397                   |
| Other debtors  | 2,556,262                    | 2,569,256                    |
| Financial investments  | 19,894                       | 20,466                       |
| Investment time deposits   | 2,130                        | 3,817                        |
|  | <u>205,391,201</u>           | <u>224,819,641</u>           |
| <b>Financial liabilities</b>   |                              |                              |
| Equity securities  | (3,983,193)                  | (5,944,791)                  |
| Debt securities and loans  | (1,791,925)                  | (1,869,890)                  |
| Derivatives  | (125,376,517)                | (127,368,843)                |
| Other creditors  | (1,096,017)                  | (933,774)                    |
| Collateral received for securities sold under agreements to repurchase | (46,221,685)                 | (60,730,954)                 |
| Collateral received for securities loaned                              | (7,521,241)                  | (5,999,444)                  |
| Creditors: amounts falling due after more than one year                | <u>(106,593)</u>             | <u>(48,047)</u>              |
|  | <u>(186,097,171)</u>         | <u>(202,895,743)</u>         |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 8 FINANCIAL INSTRUMENTS (CONTINUED)

#### Analysis of the Company's financial instruments by product type (continued)

Included within the financial assets and liabilities held at fair value through profit and loss above are the following positions with fellow Nomura Group undertakings:

|   | <b><u>2022</u></b><br><b><u>\$'000</u></b> | <b><u>2021</u></b><br><b><u>\$'000</u></b> |
|---|--|--|
| <b>Financial Assets</b>   |  |  |
| Equity securities   | 73,138                                     | 134,788                                    |
| Debt securities and loans   | 17,403                                     | 24,074                                     |
| Derivatives   | 70,663,278                                 | 72,253,582                                 |
| Collateral posted for securities purchased under agreements to resell   | 25,573,180                                 | 30,054,401                                 |
| Collateral posted for securities borrowed                               | 5,055,673                                  | 6,793,947                                  |
| Other debtors   | 307,455                                    | 202,932                                    |
| Investment time deposits  | 2,130                                      | 3,817                                      |
|   | <u>101,692,257</u>                         | <u>109,467,541</u>                         |
| <b>Financial Liabilities</b>  |  |  |
| Equity securities   | (13,592)                                   | (2,004)                                    |
| Debt securities   | (15,417)                                   | (19,985)                                   |
| Derivatives   | (71,354,433)                               | (75,022,187)                               |
| Other creditors   | (165,929)                                  | (251,428)                                  |
| Collateral received for securities purchased under agreements to resell | (8,485,507)                                | (23,871,952)                               |
| Collateral received for securities borrowed                             | (3,519,497)                                | (3,648,615)                                |
| Creditors: amount falling due after more than 1 year                    | (3,832)                                    | (13,615)                                   |
|   | <u>(83,558,207)</u>                        | <u>(102,829,786)</u>                       |

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 8 FINANCIAL INSTRUMENTS (CONTINUED)

##### The Role of Financial Instruments

###### *Trading Activities*

Trading includes both customer-orientated activities and positions that are taken for the Company's own account. These two activities are managed together.

To meet the expected needs of its client base the Company maintains access to market liquidity, both by engaging in two way business with other market makers and by carrying an inventory of cash and derivatives products. The Company also takes its own positions in the interest rate, credit, equity and foreign exchanges based on expectations of future client demand and its own views on the future direction of markets.

Within its trading activities, the Company employs standard market terms and conditions.

The financial instruments listed below are actively used by the Company. They are used both to facilitate customer business, for own account trading as well as to manage risk. In the ordinary course of business these products are valued on a mark to market basis, with the resulting income being recorded in trading profits.

|                                    |  |
|------------------------------------|--|
| Cash Products                      | Government bonds, corporate bonds, asset backed bonds, convertible bonds and equities  |
| Currency and Commodity Derivatives | Forward FX contracts, currency swaps, currency options, commodity forwards, commodity swaps and commodity options.   |
| Interest Rate Derivatives          | Interest rate swaps, forward rate agreements, forwards, options and combinations of these products.  |
| Equity Derivatives                 | Single stock, equity, index and variance swaps, options, warrants and combinations of these products.  |
| Credit Derivatives                 | Asset swaps, credit default swaps, credit options, credit baskets, credit linked notes, synthetic collateralised debt obligation ("CDO") tranches, CDO squared tranches and combinations of these. |

The interest rate, credit, equity and foreign exchange risks that arise from activities using these products are managed through the Company's financial risk management objectives and policies, which are described in more detail in the next section.

###### *Financing Activities*

The main unsecured funding sources used by the Treasury function include capital, intercompany borrowings and long term debt.

We typically fund trading activities on a secured basis through repurchase agreements. Re-financing risk is managed with a range of measures including transacting with a significant number of counterparties over various durations.

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 9 DERECOGNISED AND COLLATERALISED TRANSACTIONS

#### Transfers of financial assets, including pledges of collateral

The Company enters into transactions in the ordinary course of business resulting in the transfer of financial assets to third parties which may not result in the full derecognition of the assets under IFRS 9.

Financial asset transfers which do not result in derecognition predominantly result from secured financing transactions such as repurchase agreements or securities lending transactions. Under these types of transactions, the Company retains substantially all the risks and rewards associated with the transferred assets including market risk, issuer risk, credit risk and settlement risk. Financial assets may also be transferred, but not derecognised, as the risks and rewards associated with those assets continue to be retained by the Company through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on Statement of Financial Position with an associated liability representing the cash received on the transfer as a secured borrowing.

Such transactions are conducted under standard terms used by financial market participants as well as requirements determined by exchanges where the Company acts as intermediary. These transactions are conducted with counterparties subject to the Company's normal risk control processes. The counterparties have the right to resell or repledge the transferred financial assets under standard market agreements.

The carrying amount of financial assets sold or otherwise transferred which do not qualify for derecognition and continue to be recognised on the Statement of Financial Position are presented below:

|  | <u>2022</u><br><u>Financial assets</u><br>\$'000 | <u>2022</u><br><u>Financial liabilities</u><br>\$'000 | <u>2022</u><br><u>Difference</u><br>\$'000 |
|--|--|---|--|
| Collateral received for securities sold under agreements to repurchase | 1,102,852  | (1,091,325)   | 11,527                                     |
| Collateral received for securities loaned                              | 2,712,545  | (2,350,363)   | 362,182                                    |
| Other  | -  | -   | -  |
|  | <u>3,815,397</u>                                 | <u>(3,441,688)</u>                                    | <u>373,709</u>                             |
|  | <u>2021</u><br><u>Financial assets</u><br>\$'000 | <u>2021</u><br><u>Financial liabilities</u><br>\$'000 | <u>2021</u><br><u>Difference</u><br>\$'000 |
| Collateral received for securities sold under agreements to repurchase | 1,408,478  | (1,395,360)   | 13,118                                     |
| Collateral received for securities loaned                              | 1,503,358  | (1,453,620)   | 49,738                                     |
| Other  | 48,118   | (48,118)  | -  |
|  | <u>2,959,954</u>                                 | <u>(2,897,098)</u>                                    | <u>62,856</u>                              |

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **9 DERECOGNISED AND COLLATERALISED TRANSACTIONS (CONTINUED)**

##### **Continuing involvement**

In addition to the financial assets transferred but not derecognised and retained in their entirety on the Company's Statement of Financial Position outlined above, there are also a number of transactions in which the Company neither retains nor transfers substantially all the risks and rewards of the financial asset. As the Company retains control over those assets, it is considered to have a continuing involvement with those financial assets for accounting purposes.

Financial asset transfers which result in continuing involvement result from the partial retention of the risks and rewards associated with those assets by the Company through derivatives or similar instruments. In such cases, the financial asset continues to be recognised on Statement of Financial Position at the level of the Company's continuing involvement with a corresponding liability.

##### **Financial assets accepted as collateral**

Financial assets are accepted as collateral as part of reverse repurchases arrangements or securities borrowing transactions which the Company is permitted to sell or repledge under standard market documentation.

The fair value of financial assets accepted as collateral that the Company is permitted to sell or repledge in the absence of default is \$259 billion (2021: \$269 billion). Of this amount, \$199 billion (2021: \$203 billion) has been sold or repledged to comply with commitments under short sale transactions or in connection with financing activities. Included within these balances are \$62 billion (2021: \$36 billion) of balances due to fellow Nomura Group undertakings. The corresponding obligation to return securities received which have been sold or repledged is \$- million (2021: \$34 million), relating to special purpose vehicles.

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**10 OTHER DEBTORS**

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
|   | <u>\$'000</u>     | <u>\$'000</u>     |
| Loans and advances                        | 2,948,840         | 3,333,408         |
| Trade debtors                             | 937,300           | 1,382,309         |
| Broker balances                           | 12,467,517        | 14,983,584        |
| Customer contract receivable              | 38,369            | 27,376            |
| Accrued interest and dividends receivable | 77,613            | 105,055           |
| Prepayments and accrued income            | 309,556           | 628,876           |
| Internally generated software             | 113,158           | 115,757           |
|   | <u>16,892,353</u> | <u>20,576,365</u> |

Included within debtor balances above are the following balances due from fellow Nomura Group undertakings:

|   | <u>2022</u>      | <u>2021</u>      |
|---|------------------|------------------|
|   | <u>\$'000</u>    | <u>\$'000</u>    |
| Loans and advances                        | 229,181          | 184              |
| Trade debtors                             | 202,241          | 191,882          |
| Broker balances                           | 3,465,922        | 6,739,153        |
| Customer contract receivable              | 4,369            | 2,896            |
| Accrued interest and dividends receivable | 8,498            | 42,732           |
| Prepayments and accrued income            | 242,887          | 563,183          |
| Internally generated software             | 113,158          | 115,757          |
|   | <u>4,266,256</u> | <u>7,655,787</u> |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**11 TANGIBLE ASSETS**

|                         | <u>Construction<br/>In Progress</u><br>\$'000 | <u>Long<br/>Leasehold</u><br>\$'000 | <u>Furniture &amp;<br/>Equipment</u><br>\$'000 | <u>ROU Assets -<br/>Buildings</u><br>\$'000 | <u>Total</u><br>\$'000 |
|-------------------------|---|-------------------------------------|--|---|------------------------|
| <b>Cost</b>             |   |                                     |  |   |                        |
| At 1 April 2021         | 626   | 9,756                               | 242,496  | 110,310                                     | 363,188                |
| Additions               | -   | -                                   | 12,615   | -   | 12,615                 |
| Disposals               | -   | (837)                               | (2,152)  | -   | (2,989)                |
| Others                  | (527)   | -                                   | 527  | -   | -                      |
| At 31 March 2022        | 99  | 8,919                               | 253,486  | 110,310                                     | 372,814                |
| <b>Depreciation</b>     |   |                                     |  |   |                        |
| At 1 April 2021         | -   | 7,048                               | 233,229  | 72,007                                      | 312,284                |
| Charged during the year | -   | 647                                 | 4,361  | 32,010                                      | 37,018                 |
| Disposals               | -   | (325)                               | (701)  | -   | (1,026)                |
| At 31 March 2022        | -   | 7,370                               | 236,889  | 104,017                                     | 348,276                |
| <b>Carrying Amount</b>  |   |                                     |  |   |                        |
| At 31 March 2022        | 99  | 1,549                               | 16,597   | 6,293                                       | 24,538                 |
| At 31 March 2021        | 626   | 2,708                               | 9,267  | 38,303                                      | 50,904                 |

**12 INTANGIBLE ASSETS**

|                         | <u>Software</u><br>\$'000 | <u>Total</u><br>\$'000 |
|-------------------------|---------------------------|------------------------|
| <b>Cost</b>             |                           |                        |
| At 1 April 2021         | 104,071                   | 104,071                |
| Additions               | 3,994                     | 3,994                  |
| At 31 March 2022        | 108,065                   | 108,065                |
| <b>Amortisation</b>     |                           |                        |
| At 1 April 2021         | 94,255                    | 94,255                 |
| Charged during the year | 5,220                     | 5,220                  |
| At 31 March 2022        | 99,475                    | 99,475                 |
| <b>Carrying Amount</b>  |                           |                        |
| At 31 March 2022        | 8,590                     | 8,590                  |
| At 31 March 2021        | 9,816                     | 9,816                  |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 13 INVESTMENT IN SUBSIDIARIES

|                        | \$'000   |
|------------------------|----------|
| <b>Cost</b>            |          |
| At 1 April 2021        | 4        |
| Impairment             | -        |
| At 31 March 2022       | <u>4</u> |
| <b>Carrying amount</b> |          |
| At 31 March 2022       | <u>4</u> |
| At 31 March 2021       | <u>4</u> |

#### The investment in subsidiary undertakings represents the following:

| Subsidiary undertaking                                 | Nature of business     | Company address   | Proportion of voting rights & ordinary share capital held |
|--|------------------------|---|---|
| Nomura PB Nominees Limited                             | Investment             | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| Nomura Custody Nominee Limited                         | Investment             | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| Nomura D1 Nominee Limited                              | Investment             | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| Nomura Clearance and Settlement Nominees Limited       | Investment             | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| Nomura RPS Limited                                     | Company in liquidation | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| Nomura Nominees Limited                                | Custody                | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| Nomura.com Limited                                     | Dormant                | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| IBJ Nomura Financial Products (U.K.) PLC               | Company in liquidation | PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, U.K. | 100%  |
| Nomura London Retirement Benefits Plan Trustee Limited | Corporate Trustee      | 1 Angel Lane, London<br>EC4R 3AB, U.K.                                    | 100%  |
| Nomura Private Equity Investment GP Limited            | Company in liquidation | 1 Angel Lane, London, EC4R 3AB, U.K.                                      | 100%  |
| Nomura Investment Solutions PLC-Nomura Fixed INC Risk  | Investment             | Nomura Investment Solutions plc, 32 Molesworth Street, Dublin 2, Ireland  | 38.15%  |
| Nomura Cross Asset Momentum UCITS Fund                 | Investment             | Nomura Investment Solutions plc, 32 Molesworth Street, Dublin 2, Ireland  | 99.07%  |



# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 13 INVESTMENT IN SUBSIDIARIES (continued)

| Subsidiary undertaking  | Nature of business | Company address  | Proportion of voting rights & ordinary share capital held |
|---|--------------------|--|---|
| Nomura Global High Yield Dynamic Duration UCITS Fund                | Investment         | Nomura Investment Solutions plc, 32 Molesworth Street, Dublin 2, Ireland | 30.29%  |
| Sylph 1012, 1014, 1686, 1687, 1738, 1811, 1855, 1881, 1922 and 2001 | Securitisation     | South Church Street, Ugland House, George Town, KY1-1104                 | 100%  |

### 14 INVESTMENT IN GROUP COMPANIES

|                               | \$'000        |
|-------------------------------|---------------|
| <b><u>Cost</u></b>            |               |
| At 1 April 2021               | 13,101        |
| Additions                     | -             |
| Disposals                     | -             |
| At 31 March 2022              | <u>13,101</u> |
| <b><u>Carrying amount</u></b> |               |
| At 31 March 2022              | <u>13,101</u> |
| At 31 March 2021              | <u>13,101</u> |

# **NOMURA INTERNATIONAL PLC**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

### **15 OTHER CREDITORS**

|  | <b><u>2022</u></b>   | <b><u>2021</u></b>   |
|--|----------------------|----------------------|
|  | <b><u>\$'000</u></b> | <b><u>\$'000</u></b> |
| Short-term borrowings                  | 3,395,264            | 4,440,246            |
| Overdrafts                             | 93,168               | 133,095              |
| Trade creditors                        | 2,877,649            | 3,579,079            |
| Broker balances                        | 12,222,076           | 28,495,300           |
| Other tax and social security payable  | 30,446               | 26,840               |
| Accrued interest and dividends payable | 67,093               | 85,639               |
| Accruals and deferred income           | 484,602              | 559,719              |
| Lease liabilities                      | 6,774                | 36,583               |
|  | <u>19,177,072</u>    | <u>37,356,501</u>    |

Included within creditor balances above are the following balances due to fellow Nomura Group undertakings:

|  | <b><u>2022</u></b>   | <b><u>2021</u></b>   |
|--|----------------------|----------------------|
|  | <b><u>\$'000</u></b> | <b><u>\$'000</u></b> |
| Short-term borrowings                  | 3,136,194            | 4,264,249            |
| Trade creditors                        | 133,964              | 140,390              |
| Broker balances                        | 3,516,786            | 17,008,616           |
| Accrued interest and dividends payable | 20,133               | 51,734               |
| Accruals and deferred income           | 204,434              | 195,172              |
|  | <u>7,011,511</u>     | <u>21,660,161</u>    |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                  | <u>2022</u><br>\$'000 | <u>2021</u><br>\$'000 |
|----------------------------------|-----------------------|-----------------------|
| Borrowings and other liabilities | 14,614,293            | 1,098,162             |
| Subordinated debt                | <u>1,260,000</u>      | <u>1,260,000</u>      |
|                                  | <u>15,874,293</u>     | <u>2,358,162</u>      |

Included within creditor balances above are 2022: \$15,678,676,553 (2021: \$2,323,731,236) of balances due to fellow Nomura Group undertakings. This increased significantly in the year as a result of the Company extending the option under its inter-group facility agreement from 120 days to 370 days. This was as part of plans to increase the long term nature of funding in the year to March 2022 to prepare the Company for CRR II requirements.

#### **Borrowings and other liabilities**

In compliance with the MREL requirement highlighted in Strategic Report under Regulatory update, the company issued \$2.45bn senior debt to its parent entity NEHS, with the below term:

Nomura Europe Holdings PLC                      09 Jun 2023                      SOFR + 1.25%

#### **Subordinated debt agreements**

The amounts subject to subordinated loan agreements are wholly repayable as shown below:

| <b>Long term</b>           | <b><u>Repayment</u><br/><u>date</u></b> | <b><u>2022</u><br/>\$'000</b> | <b><u>2021</u><br/>\$'000</b> |
|----------------------------|---|-------------------------------|-------------------------------|
| Nomura Europe Holdings PLC | 04 Dec 2028                             | <u>1,260,000</u>              | <u>1,260,000</u>              |
|                            |   | <u>1,260,000</u>              | <u>1,260,000</u>              |

The legal nature of the subordinated loan differs from that usually associated with debt. In a winding up of the Company no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

The interest rates on the subordinated loan are based on local inter bank borrowing rates and include a margin to reflect the subordination. Rates are generally fixed quarterly.

The rate of interest applicable to the loan with maturity greater than five years are as follows:

Nomura Europe Holdings PLC                      04 Dec 2028                      SOFR + 1.91%

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**17 SHARE CAPITAL**

|  | <u>Number</u><br>'000 | <u>Fully paid</u><br><u>consideration</u><br>\$'000 |
|--|-----------------------|---|
| <b><u>2022</u></b>                         |                       |   |
| <b><u>Authorised</u></b>                   |                       |   |
| US Dollar Ordinary shares of \$1 each      | 3,241,227             | 3,241,227   |
| <b><u>Shares issued and fully paid</u></b> |                       |   |
| US Dollar Ordinary shares of \$1 each      | 3,241,227             | 3,241,227   |
| <b><u>2021</u></b>                         |                       |   |
| <b><u>Authorised</u></b>                   |                       |   |
| US Dollar Ordinary shares of \$1 each      | 11,241,227            | 11,241,227  |
| <b><u>Shares issued and fully paid</u></b> |                       |   |
| US Dollar Ordinary shares of \$1 each      | 11,241,227            | 11,241,227  |

**Reconciliation of number of shares outstanding at the beginning and end of the period**

|                                       | <u>31 March 2021</u> | <u>Number Reduced during the</u><br><u>year</u> | <u>31 March 2022</u> |
|---------------------------------------|----------------------|---|----------------------|
| <b><u>2022</u></b>                    |                      |   |                      |
| US dollar Ordinary shares of \$1 each | 11,241,226,555       | (8,000,000,000)                                 | 3,241,226,555        |
|                                       |                      |   |                      |
|                                       | <u>31 March 2020</u> | <u>Number Reduced during the</u><br><u>year</u> | <u>31 March 2021</u> |
| <b><u>2021</u></b>                    |                      |   |                      |
| US dollar Ordinary shares of \$1 each | 11,241,226,555       | -   | 11,241,226,555       |

During the year, the Company reduced its issued share capital from \$11,241,226,555 to \$3,241,226,555 by cancelling 8,000,000,000 issued ordinary shares. The \$8,000,000,000 share capital moved to retained earnings with no impact to Company's Shareholders' funds.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **18 RISK MANAGEMENT**

The Company's activities involve both the assumption and transfer of certain risks which the Company must manage.

The Company defines risks as (i) the potential erosion of the Company's capital base due to unexpected losses arising from risks which its business operations are exposed to, such as market risk, credit risk, operational risk and model risk, (ii) liquidity risk, the potential lack of access to funds or higher cost of funding than normal levels due to a deterioration in the Nomura Group's creditworthiness or deterioration in market conditions, and (iii) business risk, the potential failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of its business operations.

The Capital Requirements Directive IV (CRD IV), including the Capital Requirements Regulation (CRR), requires the Company to publish both Pillar 3 and country by country reporting disclosures. This information has been made publically available on the below website:

<https://www.nomuraholdings.com/company/group/europe/>

#### **Risk management strategy**

The Company's risk strategy comprises a key component of the overall NHI risk strategy and is closely linked to that broader risk strategy. The Company's risk strategy has been established using a similar risk management framework as the one for the Nomura Group, and is articulated by the Board of NEHS Group through three key elements. The Board Risk Committee, as delegated by the Board, ensures an effective internal control and risk management environment is maintained in respect of all the risks impacting the NEHS Group:

- Risk taking is a component of the business strategy approved by the Board of NEHS;
- Risk governance is established through the Board-approved committee structure, risk management policies and devolved individual accountabilities for risk management; and
- The risk appetite statement is established to articulate the maximum level and types of risk that the NEHS Group is willing to assume in pursuit of its strategic objectives and business plan.

#### **Risk management structure**

- The Board of Directors of the Company is ultimately responsible for identifying and controlling these risks through its overall risk management approach and approval of risk strategies and principles. These risks are managed through sub-committees of the Board of NEHS Group, including the Company;
- The Board Risk Committee ("BRC") has oversight of, and provides advice to, the Board on the Group's risk profile, risk appetite, future risk strategy and maintenance of an appropriate risk control framework.
- The Risk Management Committee is established and chaired by the NEHS Chief Risk Officer ("CRO") and is primarily responsible for monitoring and controlling market risk and credit risk for the NEHS Group, including the Company. Operational Risk is monitored by the Non-Financial Risk Committee.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### Risk management structure (continued)

- The Non-Financial Risk Committee is responsible for implementation and management of an effective Non-Financial Risk (NFR) framework and for monitoring the consistent application of the NFR Framework by owners of NFRs for the NEHS Group.
- Operational Risk Management ("ORM"), a part of the Compliance division, is responsible for defining and coordinating the Company's operational risk framework and its implementation and provides challenge to the 1st line of defence. The EMEA Head of ORM reports to the NEHS Head of Compliance.
- Three lines of defence (LOD) risk governance model is adopted to ensure roles and responsibilities for the management of risk throughout the Company are clearly defined, communicated and widely understood. First LOD responsibilities are embedded across all functions as their activities give rise to some risks, e.g. non-financial risks. The second LOD functions provide objective review and challenge to the first LOD: these include, but are not limited to, the Risk Management Division (for Financial Risks except Liquidity Risk), the Legal, Compliance and Controls (LCC) Division (for Non-Financial Risks), and the Finance Division (for Liquidity Risk). The third LOD provides independent assurance on the activities of the first and second LODs. This consists of the Company's Internal Audit function.
- The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, as well as reporting to regulatory bodies where required, and handling regulatory applications concerning risk management methods and other items as necessary.

The Risk Management Division comprises the following functions to manage the various types of risk that the Company is exposed to:

- Market Risk Management ("MRM"), which provides independent oversight, assessment and monitoring of market risks taken by the Company and includes the Stress Testing Group, which develops and performs various sensitivity and scenario analyses;
- Stress Testing Group ("STG"), which develops and performs various sensitivity and scenario analyses;
- Credit Risk Management ("CRM"), which provides independent oversight, assessment and monitoring of credit risks taken by the Company;
- New Business Group ("NBG"), which is responsible for the approval process of new products and transactions to ensure that risks associated with these new products and transactions are identified and managed appropriately;
- Risk Methodology Group ("RMG"), which is responsible for designing and building risk models that calculate potential losses incurred from a specific risk type and are used for regulatory or economic capital calculations, limit monitoring, trade approval, etc.
- Model Validation Group ("MVG"), which is responsible for validating the integrity and comprehensiveness of valuation and risk models, independently from those who design and build them

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### **Risk management structure (continued)**

The EMEA Heads of MRM, CRM, and NBG report to the NEHS CRO.

The NEHS CRO is also member of the Global Risk Analytics Committee ("GRAC") and Model Risk Analytics Committee ("MRAC"). The GRAC and the MRAC deliberate on or determine matters concerning the development, management and strategy of risk models and valuation models, respectively. The committees' primary responsibility is to govern and provide oversight of model management, including the approval of new models and significant model changes.

- Various committees are responsible for the review and approval of risks arising in relation to transactions originated and booked within EMEA. Additionally there are committees dedicated to overseeing cross-border risk in relation to non-EMEA business booked into certain European entities, including the subsidiaries of the Group.
- Other departments or functions within the Company are responsible for contributing to the overall risk management of the Company as further described below:

##### *Finance Division*

The Finance Division monitors compliance with internally and externally set regulatory limits and guidelines. The annual process for budgeting entity level capital needs is part of the Internal Capital Adequacy Assessment Process ("ICAAP") exercise which takes place in conjunction with the budget related processes. The setting of all current and budgeted capital requirements relating to U.K. regulated entities, including the Company, is coordinated and challenged by the Financial and Regulatory Control functions within EMEA Finance. The Financial and Regulatory Control functions are also responsible for monitoring compliance with capital usage limits to ensure capital adequacy targets are met.

##### *Treasury*

Treasury is part of Finance, reporting to the Chief Financial Officer (CFO), and operates purely as a cost-centre - managing access to unsecured funding and making this available to the business, at cost. Treasury is responsible for assessing and monitoring liquidity risks, and ensuring appropriate liquidity reserves are held to protect against modelled outflows in stress.

The Treasury funding team are responsible for maintaining a sufficient Liquidity Portfolio, held in the form of highly liquid, unencumbered securities and central bank deposits.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### **Risk management structure (continued)**

###### *Internal Audit Division*

The Nomura Group Internal Audit Department has responsibility to examine, evaluate and raise issues on the appropriateness and the effectiveness of the internal control of all business and operational activities.

The Group Head of Internal Audit has an independent reporting line to the Nomura Holdings Incorporated ('NHI') Audit Committee. In EMEA, the Head of Internal Audit has an independent reporting line to the Chairman of the Audit Committee of NEHS. The EMEA Head of Internal Audit also reports to the Group Head of Internal Audit and locally to the Chief Executive Officer of EMEA.

Internal Audit adopts a risk-based audit approach. A risk assessment is formally carried out annually using a globally agreed methodology and, where necessary, this is updated throughout the year as a result of continuous monitoring, on completion of audits and in response to internal or external events or incidents. The outcome of the Internal Audit risk assessment is used as a basis for determining the annual Audit Plan. Any regulatory or other required or expected audits are added to the Plan as well as any Management Requests or Special Projects initiated by Internal Audit, such as pre-implementation reviews, new business reviews or one-off assignments in response to significant changes in the regulatory or business environment. The annual Audit Plan is reviewed and approved by the NEHS Audit Committee.

Audit execution is also risk-based. Key controls are identified and a variety of techniques are used to evaluate the adequacy of the design and the effectiveness of the controls, including inquiry and observation, sample testing and, in some cases, substantive testing.

Internal Audit reports its findings and the agreed actions, target dates and responsible owners to the relevant Audit Committee(s), Senior Management and Line Management as appropriate. The status of outstanding action plans is reviewed regularly and reported to Management periodically. Internal Audit also performs validation work for significant issues which Management represents as having been completed.

The Audit Committee, a sub-committee of the Board, satisfies itself as to the adequacy and sufficiency of Internal Audit resources. A copy of the Internal Audit Charter is available upon request.



## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### **Risk Appetite**

NEHS Group's capacity to take risk ('risk capacity') is determined by what constraints there are on the business; these include the available financial resources (for example regulatory capital and liquidity) and business conditions. NEHS Group's 'risk appetite' provides an expression of how much risk the Company is prepared to take within that risk capacity to support the business plan and strategy.

The risk appetite and risk limits for the NEHS Group, including the Company, includes the following topics: capital adequacy, liquidity risk, market and credit risk, cross-border risk, model risk and non-financial risk.

The risk appetite and risk limits for the NEHS Group, including the Company, are established at levels that are consistent with the cascaded Nomura Group risk appetite and risk limits. Lower level risk limits are used to manage the business at the more granular levels of the hierarchy in a manner that is consistent with the Company's risk appetite.

Some of the measures used for the risk appetite of the NEHS Group, including the Company, are calculated differently from those used in the Nomura Group's risk appetite in line with local regulations, and for some of the measures there are additional local regulatory requirements, so additional specific measures have been established at the NEHS Group level to ensure this compliance.

The metrics include, but are not limited to:

- Capital adequacy metrics, such as Tier 1 capital headroom above capital buffers, regulatory P&L, stressed capital ratio and economic capital ratio;
- Liquidity risk metrics, such as Maximum Cumulative Outflow under different scenarios, Liquidity Coverage Ratio;
- Market and credit risk metrics, such as economic capital;
- Operational risk metrics, such as the aggregated operational risk losses as a percentage of gross revenue on a 12-month rolling basis; and
- Model risk metrics, such as model event risk.

The risk appetite statement for the NEHS Group, including the Company, is approved by the Board, and tracked and communicated to that forum on an ongoing basis. There is clear ownership and accountability for each category of risk and individual risk appetite measures. The risk appetite statement must be reviewed and updated at the beginning of each financial year in conjunction with the annual business planning process, and may also be reviewed and revised at any time in response to emerging risks or to significant changes in business and economic conditions, business strategy, competitive conditions or regulatory requirements.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **18 RISK MANAGEMENT (continued)**

##### **Risk Policy Framework**

Policies and procedures are essential tools of governance used by the Risk Management Division. They define principles, rules and standards, and the specific processes that must be adhered to in order to effectively manage risk at Nomura Group, including the Company. The Risk Management Division has established a risk policy framework to promote appropriate standards and consistency for risk policies and procedures and to articulate the principles and procedures conducive to effective risk management. All risk management policies and procedures are developed in line with this policy framework and a defined process is followed for any exceptions.

##### **Monitoring, Reporting and Data Integrity**

Development, consolidation, monitoring and reporting of risk management information ("risk MI") are fundamental to the appropriate management of risk. The aim of all risk MI is to provide a basis for sound decision-making, action and escalation as required. The Risk Management Division and the Finance Division are responsible for producing regular risk MI, which reflects the position of the NEHS Group, including the Company, relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflects the use of the various risk tools used to identify and assess those risks. The Risk Management Division is responsible for implementing appropriate controls over data integrity for risk MI.

##### **Adequacy of the risk management arrangements**

The Company is ultimately responsible for reviewing the adequacy of the risk management arrangements of the NEHS Group, including the Company, and consider that the arrangements in place are adequate.

##### **Market Risk**

Market risk is the risk of loss arising from fluctuations in values of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others). The Company classifies exposures into either trading or non-trading portfolios. Trading portfolios are exposed to market risk, managed and monitored on a daily basis on a Value-at-Risk ("VaR") methodology. Non-trading positions are managed and monitored using other sensitivity analysis. The Company uses the Nomura Group's MRM framework for the management of market risk, with some specific criteria applied to the Company where relevant.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### Market Risk (continued)

##### Use of the Internal Models for Market Risk

In July 2013, the Company was granted permission by the PRA to use the internal model method, such as Value at Risk ("VaR"), Stressed VaR ("SVaR"), Incremental Risk Charge ("IRC"), to calculate market risk regulatory capital requirements for a range of trading positions. VaR scope covers certain credit and interest rates positions (e.g. bonds, credit default swaps, loans in the trading book and others), certain equity positions (e.g. cash equities, equity forwards, equity swaps and others) and certain foreign exchange positions (e.g. FX spot, FX futures, FX forwards, FX swaps, cross-currency swaps and others). For trading positions that are not in scope under the internal model method, the standard rules are applied to calculate their market risk regulatory capital requirements.

##### A Market Risk - Trading (including financial assets and financial liabilities designated at fair value through profit and loss)

Effective management of market risk requires the ability to analyse a complex and evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner. The Company uses a variety of statistical measurement tools to assess and monitor market risk on an ongoing basis including, but not limited to, Value at Risk ("VaR"), Stressed VaR ("SVaR") and Incremental Risk Charge ("IRC").

Within the Company, there is also a formal process for the allocation and management of economic capital (Nomura Capital Allocation Target or "NCAT"), which is facilitated through Portfolio Risk element of the Risk Appetite discussed at the BRC. The BRC recommends any changes to the Board, who must opine and approve, if appropriate. Day-to-day responsibility for the NCAT calculation and the monitoring of risk limits, within the risk control framework, rests with MRM.

NCAT is used for performance evaluation and capital allocation, but not for capital adequacy. In order to ensure capital adequacy, financial soundness is assessed under stressed conditions, i.e. worst-case risk factor moves. Stress testing is undertaken and results reviewed monthly.

##### *Value at Risk*

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

##### *VaR Methodology Assumptions*

The Company uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented where historical market moves over a two-year window are applied to the Company's current exposure, in order to construct a P&L distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility. For regulatory capital calculation and backtesting process, the higher of weighted and unweighted VaR is used, whereas for internal risk management purposes the weighted VaR is used.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### Market Risk (continued)

##### A Market Risk - Trading (continued)

##### *VaR Methodology Assumptions (continued)*

Depending on the booking system, product and risk factor, profit and loss distribution is generated using full revaluation, spot-volatility grids or Greeks based methods. For interest rate and credit products, their main risk factors (interest rate and credit) are treated using the full revaluation method. For equity and foreign exchange products, their main risk factors (spot and volatility for equity and FX respectively) are treated using spot-volatility grids. However, for some products (e.g. interest rates and FX hedges of equity derivatives portfolios, booked in the relevant equity system), as well as for secondary risk factors of all products (e.g. FX risk for interest rates, credit and equity instruments) the Greeks based method is applied (relevant Greeks are multiplied by corresponding historical returns).

The Company uses the same VaR model for both internal risk management purposes and for regulatory reporting. For regulatory capital, the Company uses 99% confidence level and 10-day time horizon, calculated using actual 10-day historical market moves. For internal risk management purposes, VaR is calculated across the Company at the same confidence level using both 1-day and 10-day time horizons. SVaR is in both cases calculated using 10-day time horizon. The 1-year stress window used in SVaR for internal risk management is calibrated at the Nomura group level, while a window that is specific to NEHS is used for regulatory reporting.

To complement VaR under Basel 2.5 regulations, Nomura also computes SVaR, which samples from a one-year window during a period of financial stress. Both VaR and SVaR are based on a single model that diversifies general and specific risk. Both VaR and SVaR are calculated daily using actual 10-day historical market moves. The historical two-year window for VaR is updated once every two days. The stress period used in SVaR model is the optimal one-year window, which is calibrated daily by maximising SVaR over rolling one-year window between start of 2008 and the reporting date.

The Company's VaR model uses exact time series for each individual risk factor. When simulating potential movements in risk factors, a mixed approach is used, with absolute returns for some risk classes and relative returns for others. However, if good quality data is not available, a 'proxy logic' maps the exposure to an appropriate time series. The level of proxying taking place is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

##### *VaR Backtesting*

The performance of the Company's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare 1-day trading losses with the corresponding VaR estimate. The Company's VaR model is backtested at different levels. Backtesting results are reviewed on a monthly basis by the Risk Management Division.

1-day trading losses exceeded the 99% VaR estimate on two occasions for the Company for the year ended 31 March 2022.

##### *Limitations and Advantages of VaR*

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore it may understate the impact of severe events.

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 18 RISK MANAGEMENT (continued)

#### Market Risk (continued)

#### A Market Risk - Trading (continued)

##### *Limitations and Advantages of VaR (continued)*

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

The table below illustrates, by major risk category, the VaR used for internal risk management purpose during the financial years ended 31 March 2022 and 31 March 2021. It shows the highest, lowest and average VaR during the financial year.

|                       | <b>Average VaR</b> | <b>Min VaR</b>     | <b>Max VaR</b>     | <b>Average VaR</b> | <b>Min VaR</b>     | <b>Max VaR</b>     |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                       | <b><u>2022</u></b> | <b><u>2022</u></b> | <b><u>2022</u></b> | <b><u>2021</u></b> | <b><u>2021</u></b> | <b><u>2021</u></b> |
|                       | <b>\$'000</b>      | <b>\$'000</b>      | <b>\$'000</b>      | <b>\$'000</b>      | <b>\$'000</b>      | <b>\$'000</b>      |
| Equity VaR            | 1,454              | 283                | 13,403             | 912                | 424                | 15,367             |
| Credit VaR            | 6,443              | 4,029              | 10,360             | 16,406             | 7,237              | 38,440             |
| Interest Rates VaR    | 4,811              | 2,852              | 7,968              | 5,609              | 3,063              | 10,109             |
| Inflation VaR         | 592                | 312                | 1,159              | 443                | 222                | 864                |
| FX VaR                | 1,072              | 394                | 3,192              | 2,246              | 789                | 5,824              |
| Commodity VaR         | 56                 | 1                  | 336                | 41                 | -                  | 407                |
| Diversification/other | (6,562)            | -                  | -                  | (12,634)           | -                  | -                  |
| Total                 | 7,866              | 7,871              | 36,418             | 13,023             | 8,508              | 26,358             |

The total average, minimum and maximum VaR values are shown over the full annual period. Total average VaR during the fiscal year ended 31 March 2022 was lower than previous year following an decrease in the Credit VaR.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### Market Risk (continued)

##### B Incremental Risk Charge ("IRC")

IRC is a measure of the potential loss from credit migration and default events on debt securities over a one year time horizon and 99.9% confidence level. IRC is calculated by Monte Carlo simulation of correlated migration and default events. A two factor Copula model is used which imply an inter asset correlation (across sectors) and an intra asset correlation (within a sector). These correlations are calibrated to empirically observed default events. P&L from migration is computed by applying credit spread shocks based on initial and final credit rating, adjusted for basis risk by product, recovery and maturity. P&L from default is simulated including stochastic recovery, correlated with overall default rates. A key determinant of IRC on a position is the credit rating of the obligor, which is based on the Nomura Group's Internal Rating system also used for the Internal Ratings-Based approach. IRC scope covers all debt securities as approved by the PRA. All positions in the IRC model are assumed to have a one year liquidity horizon.

##### C Stress testing of internal risk models

Stress testing is used to complement any internal risk models in order to identify certain risks to portfolios, at various levels, which are adversely affected by certain shocks when such portfolios are non-linear and tail risks from potential higher moves than those captured by the VaR model; to overcome limitations of models and historical data when assessing and controlling risk; and to identify risk concentrations and potential correlations across instruments, risk types and businesses.

Stress tests are designed to be economically coherent, challenging, and comprehensive in terms of business and risk coverage. Stress tests specific to one risk class, also known as grids, are run and aggregated at levels where this specific risk is managed. Stress tests are applied to all trades notwithstanding the way they are treated in VaR in order to be able to get a consistent view of the risks. However, analysis could be done at any level of business, or aggregation when required. Stress tests are performed by defining and applying shocks to the data used as input into the VaR model such as shocks to credit spreads, to bond prices, to interest rates, to equity price, foreign exchange rates as well as shocks to the volatility and other factors impacting the data used as input into the VaR model.

##### D Market Risk - Non-Trading

###### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established stress test limits to constrain the interest rate risk taken by non-trading books. Positions are monitored on a regular basis and hedging strategies may be implemented to ensure that the risk is maintained within the established limits.

###### *Currency risk*

During the course of the Treasury department's financing activities, there is often a need to swap surplus flows in one currency into another currency, achieved using currency swap transactions. This is undertaken in accordance with approved market risk limits.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### **Credit Risk**

Credit risk is the risk of loss arising from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a Credit Valuation Adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty. The Company uses the Nomura Group's CRM framework for managing credit risk, with some specific criteria applied to the Company where relevant.

##### **A Credit Risk Management Process**

The process for managing credit risk at the Company includes:

- evaluation of likelihood that a counterparty defaults on its payments and obligations;
- assignment of internal credit ratings to all active counterparties;
- approval of extensions of credit and establishment of credit limits;
- measurement, monitoring and management of the firm's current and potential future credit exposures;
- setting credit terms in legal documentation; and
- use of appropriate credit risk mitigants including netting, collateral and hedging

##### **B Credit Risk Measures**

The Company's main type of counterparty credit risk exposures arise from derivatives, securities financing transactions and loans.

In December 2012, the Company was granted permission by the PRA to use the Internal Model Method ("IMM") in combination with the standardised approach in the calculation of counterparty credit risk requirements for certain derivatives and securities financing transactions. In the calculation of risk-weighted exposure amounts under the standardised approach to credit risk, the ratings of Fitch, Moody's and Standard and Poor's are used for all applicable exposure classes.

For derivative and securities financing transactions, the Company measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure profile at a specified confidence level. The exposure calculation model used for counterparty credit risk management is also used for the IMM-based exposure calculation for regulatory capital reporting purposes since the end of December 2012. Loans and lending commitments are measured and monitored on both funded and unfunded basis.

##### **C Credit Limits**

Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of each individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of the Company's counterparties. Any change in circumstance that alters the Company's risk appetite for any particular counterparty, sector, industry or country is reflected in changes to the internal rating and credit limit as appropriate.

Internal ratings form an integral part in the assignment of credit limits to counterparties. The Company's credit limit framework is designed to ensure that the Company takes appropriate credit risk in a manner that is consistent with its risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **18 RISK MANAGEMENT (continued)**

##### **Credit Risk (continued)**

##### **C Credit Limits (continued)**

NCAT, the measure of economic capital used by the Nomura Group and its affiliates, including the Company, is used as a constraint on the total level of risk which can be taken by the Company. NCAT has various uses within the Company: for example, for counterparty credit exposure management, the Company used the Credit NCAT model to derive single name limits by rating.

A bespoke limit framework has been developed to monitor exposures against central counterparty clearing houses, which include limits to funded exposures related to default fund and initial margin, and limits to unfunded exposures related to loss sharing amount (also known as stress loss) and potential variation margin callback.

##### **D Wrong Way Risk**

Wrong Way Risk ("WWR") occurs when exposure to a counterparty is highly correlated with the deterioration of creditworthiness of that counterparty. The Nomura Group, including the Company, has established policies that govern the management of any WWR exposures. Stress testing is used to support the assessment of any WWR embedded within existing portfolios and adjustments are made to credit exposures and regulatory capital, as appropriate.

WWR analysis is performed by the Risk Management Division and presented monthly to the BRC. The analysis is provided to assist the business and senior management in determining whether the level of wrong way risk is a concern and action should be taken to reduce it.

##### **E Risk Mitigation**

The Company utilises financial instruments, agreements and practices to assist in the management of credit risk. The Company enters into legal agreements, such as the International Swap and Derivatives Association, Inc ("ISDA") agreements or equivalent (referred to as "Master Netting Agreements"), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow the Company to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **18 RISK MANAGEMENT (continued)**

##### **Credit Risk (continued)**

##### **E Risk Mitigation (continued)**

Give the potential for loss resulting from unsecured exposures, as a general rule, all extensions of credit by the Company should be collateralised. However, in certain cases where there is sufficient risk appetite, unsecured exposure may be approved by the relevant credit risk managers. In addition, there are certain jurisdictions with specific rules relating to approvals and management of collateral. To ensure compliance, any local regulatory rules or statutes that are stricter must be followed.

Legal agreements should ensure that margin agreements and collateral accepted from clients provide the best possible protection for the Company. Any collateral types included for exposure reduction must meet the Basel standards. New collateral types, including non-standard collateral must be approved by the Global Collateral Steering Committee. Any non-standard collateral that gets approved must also be reviewed by all relevant departments to ensure that the operational capability is in place to properly control the new collateral type, and that concentration, reuse and liquidity implications are understood. The review must include any local or legal vehicle policies or procedures that contain rules relating to eligibility or acceptable collateral.

Concentrations of collateral by issuer, country and counterparty are monitored and reported to senior management. Haircuts are applied to collateral and set according to the market risk of the asset. Haircut levels are determined through quantitative and historical analysis, and are reviewed periodically.

The Company utilises financial instruments, to assist in the management of counterparty credit risk. The Company enters into credit hedges in the form of single name credit default swaps, credit contingent CDS and credit index swaps to mitigate losses arising from deterioration in counterparty creditworthiness. The Company actively monitors large exposures to collateralised counterparties and seeks to reduce exposures through trade compression and hedging with single name credit default swaps.

The Company's maximum exposure to credit risk at the balance sheet date is disclosed in the table below, based on the carrying amount of the financial assets the Company believes are subject to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off-balance sheet instruments which expose the Company to a risk of loss due to default by the parties underlying these contracts are also disclosed. Collateral is held on financial assets held for trading, financial assets mandatorily at fair value through profit and loss, collateral posted for securities purchased under agreements to resell and collateral posted for securities borrowed. The exercise of collateral will lead to a significant reduction in the potential loss in the value of the corresponding financial asset in the event of a counterparty or issuer failing to perform its contractual commitment.

Other credit enhancements include netting agreements which provide protection to reduce the risks of counterparty default and, in some cases offset the Company's exposure with the same counterparty, which provides a more meaningful presentation of Statement of Financial Position credit exposure. Also included in the total exposure to credit risk are credit derivatives and other financial guarantee products which are used to hedge the Company's exposure to credit risk.

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**18 RISK MANAGEMENT (continued)**

**Credit Risk (continued)**

**Credit Risk Exposure**

|   | <b>Maximum<br/>Exposure to<br/>Credit Risk<br/>(gross basis)</b> | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> |
|---|--|----------------|----------------|----------------|
| <b>2022</b>   | <b>\$'m</b>  | <b>\$'m</b>    | <b>\$'m</b>    | <b>\$'m</b>    |
| Financial assets held for trading                                     | 136,337  | -              | -              | -              |
| Collateral posted for securities purchased under agreements to resell | 57,572   | -              | -              | -              |
| Collateral posted for securities borrowed                             | 8,902  | -              | -              | -              |
| Other debtors   | 16,724   | 14,145         | 23             | -              |
| Investment time deposits  | 121  | 119            | -              | -              |
| Cash and cash equivalent  | 5,487  | 5,487          | -              | -              |
| Financial investments   | 20   | -              | -              | -              |
|   | <u>225,164</u>   | <u>19,751</u>  | <u>23</u>      | <u>-</u>       |
| Commitments and financial guarantees                                  | 3,121  | 634            | 165            | -              |
|   | <u>228,285</u>   | <u>20,385</u>  | <u>188</u>     | <u>-</u>       |

|   | <b>Maximum<br/>Exposure to<br/>Credit Risk<br/>(gross basis)</b> | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> |
|---|--|----------------|----------------|----------------|
| <b>2021</b>   | <b>\$'m</b>  | <b>\$'m</b>    | <b>\$'m</b>    | <b>\$'m</b>    |
| Financial assets held for trading                                     | 142,807  | -              | -              | -              |
| Collateral posted for securities purchased under agreements to resell | 67,361   | -              | -              | -              |
| Collateral posted for securities borrowed                             | 12,058   | -              | -              | -              |
| Other debtors   | 20,401   | 17,773         | 50             | 9              |
| Investment time deposits  | 1,140  | 1,136          | -              | -              |
| Cash and cash equivalent  | 3,577  | 3,577          | -              | -              |
| Financial investments   | 20   | -              | -              | -              |
|   | <u>247,364</u>   | <u>22,486</u>  | <u>50</u>      | <u>9</u>       |
| Commitments and financial guarantees                                  | 3,449  | 829            | 59             | -              |
|   | <u>250,813</u>   | <u>23,315</u>  | <u>109</u>     | <u>9</u>       |

<sup>1</sup>In addition to disclosing fixed price loan commitments, the Company has disclosed certain variable market price commitments to repurchase debt of \$876m (2021: \$1,033m) in order to provide a more reliable and relevant disclosure of its financial commitments

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**18 RISK MANAGEMENT (continued)**

**Credit Risk (continued)**

**2022**

| <b>Credit loss allowance</b>         | <b>Stage 1<br/>\$'m</b> | <b>Stage 2<br/>\$'m</b> | <b>Stage 3<br/>\$'m</b> | <b>Total<br/>\$'m</b> |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Other debtors                        | (0.2)                   | (1.1)                   | -                       | (1.3)                 |
| Commitments and financial guarantees | (0.8)                   | (0.8)                   | -                       | (1.6)                 |
|                                      | (1.0)                   | (1.9)                   | -                       | (2.9)                 |

**2021**

| <b>Credit loss allowance</b>         | <b>Stage 1<br/>\$'m</b> | <b>Stage 2<br/>\$'m</b> | <b>Stage 3<br/>\$'m</b> | <b>Total<br/>\$'m</b> |
|--------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Other debtors                        | (0.2)                   | (2.6)                   | -                       | (2.8)                 |
| Commitments and financial guarantees | (0.6)                   | (0.5)                   | -                       | (1.1)                 |
|                                      | (0.8)                   | (3.1)                   | -                       | (3.9)                 |

**Movements in credit loss allowances**

|  | <b>Stage 1</b>           |                     | <b>Stage 2</b>           |                     | <b>Stage 3</b>           |                     | <b>Total</b>             |                     |
|--|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
|  | <b>Exposure<br/>\$'m</b> | <b>ECL<br/>\$'m</b> | <b>Exposure<br/>\$'m</b> | <b>ECL<br/>\$'m</b> | <b>Exposure<br/>\$'m</b> | <b>ECL<br/>\$'m</b> | <b>Exposure<br/>\$'m</b> | <b>ECL<br/>\$'m</b> |
| Credit loss allowance at 1 April 2021  | 913                      | (0.8)               | 111                      | (3.1)               | -                        | -                   | 1,024                    | (3.9)               |
| Transfer:                              |                          |                     |                          |                     |                          |                     |                          |                     |
| to stage 2                             | (131)                    | -                   | 131                      | -                   | -                        | -                   | -                        | -                   |
| Credit impairment (charge) / release   |                          |                     |                          |                     |                          |                     |                          |                     |
| - new assets originated or purchased   | 2                        | -                   | -                        | -                   | -                        | -                   | 2                        | -                   |
| - change in credit risk                | (27)                     | (0.3)               | (4)                      | 0.5                 | -                        | -                   | (31)                     | 0.2                 |
| - assets derecognised or matured       | (40)                     | -                   | (49)                     | 0.7                 | -                        | -                   | (89)                     | 0.7                 |
|  | (65)                     | (0.3)               | (53)                     | 1.2                 | -                        | -                   | (118)                    | 0.9                 |
| Credit loss allowance at 31 March 2022 | 717                      | (1.1)               | 189                      | (1.9)               | -                        | -                   | 906                      | (3.0)               |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 18 RISK MANAGEMENT (continued)

#### Credit Risk (continued)

The credit quality of financial assets and off balance sheet commitments which are subject to credit risk is summarised below. The credit ratings are determined by the Company's internally determined public rating agency equivalents.

| 2022  | <u>Maximum Exposure<br/>to Credit Risk<br/>(Gross Basis)</u> | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> |
|---|--|----------------|----------------|----------------|
| Credit Rating   | \$'m   | \$'m           | \$'m           | \$'m           |
| AAA   | 2,145  | 33             | -              | -              |
| AA  | 44,003   | 7,685          | -              | -              |
| A   | 50,253   | 4,292          | -              | -              |
| BBB   | 105,717  | 5,709          | -              | -              |
| Non-Investment grade  | 15,964   | 1,471          | 23             | -              |
| Unrated   | 7,082  | 561            | -              | -              |
| Off-balance sheet commitments and<br>financial guarantee contracts <sup>1</sup> |  |                |                |                |
| AA  | 230  | 144            | -              | -              |
| A   | 1,223  | 250            | -              | -              |
| BBB   | 1,161  | 70             | 124            | -              |
| Non-Investment grade  | 443  | 170            | 41             | -              |
| Unrated   | 64   | -              | -              | -              |
|   | <u>228,285</u>   | <u>20,385</u>  | <u>188</u>     | <u>-</u>       |
| 2021  |  |                |                |                |
| AAA   | 2,633  | 362            | -              | -              |
| AA  | 37,016   | 5,583          | -              | -              |
| A   | 53,644   | 3,841          | -              | -              |
| BBB   | 119,610  | 10,290         | -              | -              |
| Non-Investment grade  | 27,694   | 2,352          | 49             | 9              |
| Unrated   | 6,767  | 58             | 1              | -              |
| Off-balance sheet commitments and<br>financial guarantee contracts <sup>1</sup> |  |                |                |                |
| AA  | 261  | 152            | -              | -              |
| A   | 1,307  | 381            | -              | -              |
| BBB   | 1,139  | 114            | -              | -              |
| Non-Investment grade  | 294  | 182            | 59             | -              |
| Unrated   | 448  | -              | -              | -              |
|   | <u>250,813</u>   | <u>23,315</u>  | <u>109</u>     | <u>9</u>       |

<sup>1</sup>In addition to disclosing fixed price loan commitments, the Company has disclosed certain variable market price commitments to repurchase debt of \$876m (2021: \$1,033m) in order to provide a more reliable and relevant disclosure of its financial commitments.

The unrated balance represents the pool of counterparties which individually do not generate material credit risk for the Company and which do not require rating under the Company's credit management policies. This pool is highly diversified, subject to limits, and monitored on a regular basis.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### **Credit Risk (continued)**

##### ***Concentrations of Credit Risk***

Concentrations of credit risk may arise from the Company's normal operation in derivative instruments, securities financing transactions and underwriting activities, and from exposures to central counterparty clearing houses, and may be impacted by changes in political or economic factors. The Company's significant single concentrations of credit risk are typically with strongly rated credit institutions in the US and Europe and benefit from credit risk mitigation such as bilateral collateral agreements.

The Company is exposed to significant counterparty credit risk from other Nomura Group undertakings. The maximum credit exposure to other Nomura Group undertakings is \$87 billion (2021: \$98 billion) and is rated using the Nomura Group's credit rating of BBB (2021: 'BBB').

##### **Liquidity Risk**

##### ***Liquidity Risk Management***

The Company's approach to liquidity risk management is founded on the three lines of defence principle, ensuring a clear ownership and strong connection between the Business (1st line), Treasury (2nd line) and Internal Audit (3rd Line) both globally and locally. The 3 lines of defence are further strengthened by a comprehensive suite of governance committees and forums, both Global and Local, which ensure liquidity risk is effectively managed at all levels of the firm and sufficient oversight and scrutiny is provided up to and including the Board.

The Company's primary Liquidity Risk Management objective is to ensure continuous liquidity across market cycles and periods of market and idiosyncratic stress, ensuring that all contractual and modelled funding requirements and unsecured debt obligations that fall due within Board-established survival horizons and risk appetite, can be met without any reliance on sourcing additional unsecured funding or forced liquidation of assets.

The MCO (Maximum Cumulative Outflow model) is Nomura's primary tool to measure and monitor liquidity risk on a daily basis, defining the level of liquid assets required to meet contractual and contingent liquidity needs in the event of a stress. The MCO incorporates consistent assumptions at an entity, regional and global level, modelling stressed liquidity outflows over three scenarios of increasing severity, ranging from normal business conditions to a combination of both a market-wide and Nomura-specific liquidity stress.

The Company as a U.K. regulated entity is fully compliant with the U.K. PRA prescribed liquidity requirements.

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 18 RISK MANAGEMENT (continued)

#### Liquidity Risk (continued)

##### Contractual Maturity Table

The table below shows the Company's financial liabilities by contractual maturity remaining, taking into account early redemption features. Derivative contracts and other financial instruments contained within the Company's trading portfolio and other instruments containing embedded derivatives (including structured note issuances and other financial liabilities designated at fair value) are presented at their fair values. All other amounts represent undiscounted cash flows payable by the Company arising from its financial liabilities. Perpetual cash flows are shown for a period of ten years. Derivatives are disclosed at fair value on demand with the exception of gross settled derivatives, which are shown by contractual maturity remaining. Other creditors include cash collateral received on certain affiliate derivatives presented as on demand, being the earliest possible contractual payment date subject to both parties agreeing, furthermore any repayment of these amounts would be contractually replaced by longer term unsecured funding by other group companies. Financial liabilities designated at fair value are disclosed based on their earliest redemption date.

|  | <u>On demand</u> | <u>Less than 30 days</u> | <u>31 - 90 days</u> | <u>91 days - 1 year</u> | <u>1 - 5 years</u> | <u>Later than 5 years</u> | <u>Total</u> |
|--|------------------|--------------------------|---------------------|-------------------------|--------------------|---------------------------|--------------|
|  | \$'m             | \$'m                     | \$'m                | \$'m                    | \$'m               | \$'m                      | \$'m         |
| <b>2022</b>  |                  |                          |                     |                         |                    |                           |              |
| Financial liabilities held for trading - derivatives                   | 102,949          | 7,109                    | 5,214               | 7,383                   | 2,501              | 220                       | 125,376      |
| Financial liabilities held for trading - non derivatives               | 5,775            | -                        | -                   | -                       | -                  | -                         | 5,775        |
| Collateral received for securities sold under agreements to repurchase | 12,847           | 26,871                   | 2,988               | 2,362                   | 1,154              | -                         | 46,222       |
| Collateral received for securities loaned                              | 7,155            | 25                       | 342                 | -                       | -                  | -                         | 7,522        |
| Other creditors - non lease liabilities                                | 18,962           | -                        | -                   | -                       | -                  | -                         | 18,962       |
| Other creditors - lease liabilities                                    | -                | -                        | -                   | 1                       | 4                  | 2                         | 7            |
| Creditors (amounts falling due after more than one year)               | -                | -                        | -                   | -                       | 14,613             | 1,261                     | 15,874       |
|  | 147,688          | 34,005                   | 8,544               | 9,746                   | 18,272             | 1,483                     | 219,738      |
| Commitments and financial guarantees <sup>1</sup>                      | -                | 172                      | 136                 | 173                     | 712                | 1,928                     | 3,121        |
| Total exposure to liquidity risk                                       | 147,688          | 34,177                   | 8,680               | 9,919                   | 18,984             | 3,411                     | 222,859      |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**18 RISK MANAGEMENT (continued)**

**Liquidity Risk (continued)**

**Contractual Maturity Table (continued)**

|  | <u>On</u><br><u>demand</u> | <u>Less</u><br><u>than 30</u><br><u>days</u> | <u>31 - 90</u><br><u>days</u> | <u>91 days</u><br><u>- 1 year</u> | <u>1 - 5</u><br><u>years</u> | <u>Later than</u><br><u>5 years</u> | <u>Total</u> |
|--|----------------------------|--|-------------------------------|-----------------------------------|------------------------------|-------------------------------------|--------------|
|  | \$'m                       | \$'m   | \$'m                          | \$'m                              | \$'m                         | \$'m                                | \$'m         |
| <b>2021</b>  |                            |  |                               |                                   |                              |                                     |              |
| Financial liabilities held for trading - derivatives                   | 105,484                    | 7,185  | 5,286                         | 6,329                             | 2,860                        | 225                                 | 127,369      |
| Financial liabilities held for trading - non derivatives               | 7,815                      | -  | -                             | -                                 | -                            | -                                   | 7,815        |
| Collateral received for securities sold under agreements to repurchase | 27,064                     | 16,927                                       | 10,090                        | 6,168                             | 479                          | 2                                   | 60,730       |
| Collateral received for securities loaned                              | 5,596                      | 27   | 254                           | 123                               | -                            | -                                   | 6,000        |
| Other creditors - non lease liabilities                                | 37,032                     | -  | -                             | -                                 | -                            | -                                   | 37,032       |
| Other creditors - lease liabilities                                    | -                          | 1  | 8                             | 20                                | 4                            | 3                                   | 36           |
| Creditors (amounts falling due after more than one year)               |                            | 1  | 13                            | 21                                | 1,064                        | 1,260                               | 2,359        |
|  | 182,991                    | 24,141                                       | 15,651                        | 12,661                            | 4,407                        | 1,490                               | 241,341      |
| Commitments and financial guarantees <sup>1</sup>                      | -                          | 2  | -                             | 20                                | 964                          | 2,463                               | 3,449        |
| Total exposure to liquidity risk                                       | 182,991                    | 24,142                                       | 15,651                        | 12,681                            | 5,371                        | 3,953                               | 244,789      |

<sup>1</sup>In addition to disclosing fixed price loan commitments, the Company has disclosed certain variable market price commitments to repurchase debt of \$876m (2021: \$1,033m) in order to provide a more reliable and relevant disclosure of its financial commitments

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**18 RISK MANAGEMENT (continued)**

**Liquidity Risk (continued)**

***Contractual Maturity Table (continued)***

The table below shows the maturity profile of the Company's financial assets. The analysis into maturity groupings is based on the remaining period to the contractual maturity date or, if earlier, the expected date the assets will be realised.

|   | <u>On<br/>demand</u> | <u>Less<br/>than 30<br/>days</u> | <u>31 - 90<br/>days</u> | <u>91 days<br/>- 1 year</u> | <u>1 - 5<br/>years</u> | <u>Later<br/>than 5<br/>years</u> | <u>Total</u> |
|---|----------------------|----------------------------------|-------------------------|-----------------------------|------------------------|-----------------------------------|--------------|
|   | \$'m                 | \$'m                             | \$'m                    | \$'m                        | \$'m                   | \$'m                              | \$'m         |
| <b>2022</b>   |                      |                                  |                         |                             |                        |                                   |              |
| Cash and cash equivalent  | 5,487                | -                                | -                       | -                           | -                      | -                                 | 5,487        |
| Financial investments   | 20                   | -                                | -                       | -                           | -                      | -                                 | 20           |
| Financial assets held for trading - derivatives                       | 104,461              | 6,090                            | 4,978                   | 7,351                       | 2,523                  | 216                               | 125,619      |
| Financial assets held for trading - non derivatives                   | 10,719               | -                                | -                       | -                           | -                      | -                                 | 10,719       |
| Collateral posted for securities purchased under agreements to resell | 11,086               | 34,111                           | 8,500                   | 2,205                       | 1,653                  | 18                                | 57,573       |
| Collateral posted for securities borrowed                             | 7,192                | 1,710                            | -                       | -                           | -                      | -                                 | 8,902        |
| Other debtors   | 16,722               | -                                | -                       | -                           | -                      | -                                 | 16,722       |
| Investment time deposits  | 105                  | -                                | -                       | -                           | -                      | 16                                | 121          |
| Total exposure to liquidity risk                                      | 155,792              | 41,911                           | 13,478                  | 9,556                       | 4,176                  | 250                               | 225,163      |



**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**18 RISK MANAGEMENT (continued)**

**Liquidity Risk (continued)**

**Contractual Maturity Table (continued)**

|   | <u>On</u><br><u>demand</u> | <u>Less</u><br><u>than 30</u><br><u>days</u> | <u>31 - 90</u><br><u>days</u> | <u>91 days</u><br><u>- 1 year</u> | <u>1 - 5</u><br><u>years</u> | <u>Later</u><br><u>than 5</u><br><u>years</u> | <u>Total</u> |
|---|----------------------------|--|-------------------------------|-----------------------------------|------------------------------|---|--------------|
|   | \$'m                       | \$'m   | \$'m                          | \$'m                              | \$'m                         | \$'m  | \$'m         |
| <b><u>2021</u></b>  |                            |  |                               |                                   |                              |   |              |
| Cash and cash equivalent  | 3,577                      | -  | -                             | -                                 | -                            | -   | 3,577        |
| Financial investments   | 20                         | -  | -                             | -                                 | -                            | -   | 20           |
| Financial assets held for trading - derivatives                       | 106,248                    | 6,586  | 5,362                         | 6,359                             | 2,843                        | 224   | 127,622      |
| Financial assets held for trading - derivatives                       | 15,185                     | -  | -                             | -                                 | -                            | -   | 15,185       |
| Collateral posted for securities purchased under agreements to resell | 23,670                     | 22,545                                       | 14,245                        | 4,487                             | 2,394                        | 20  | 67,361       |
| Collateral posted for securities borrowed                             | 9,305                      | 2,735  | 18                            | -                                 | -                            | -   | 12,058       |
| Other debtors   | 20,399                     | -  | -                             | -                                 | -                            | -   | 20,399       |
| Investment time deposits  | 83                         | 117  | 939                           | -                                 | -                            | -   | 1,139        |
| Total exposure to liquidity risk                                      | 178,487                    | 31,983                                       | 20,564                        | 10,846                            | 5,237                        | 244   | 247,361      |

**Maturity analysis of assets and liabilities**

The table on next page shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**18 RISK MANAGEMENT (continued)**

**Maturity analysis of assets and liabilities (continued)**

|   | Within 12<br>months<br><u>2022</u><br>\$'m | After 12<br>months<br><u>2022</u><br>\$'m | Total<br><u>2022</u><br>\$'m | Within 12<br>months<br><u>2021</u><br>\$'m | After 12<br>months<br><u>2021</u><br>\$'m | Total<br><u>2021</u><br>\$'m |
|---|--|---|------------------------------|--|---|------------------------------|
| Cash and cash equivalent  | 5,487                                      | -   | 5,487                        | 3,577                                      | -   | 3,577                        |
| Financial assets held for trading                                     | 133,599                                    | 2,739                                     | 136,338                      | 139,740                                    | 3,067                                     | 142,807                      |
| Investment time deposits  | 105  | 16  | 121                          | 1,140                                      | -   | 1,140                        |
| Current Tax receivable  | 37   | -   | 37                           | 6  | -   | 6                            |
| Collateral posted for securities purchased under agreements to resell | 55,903                                     | 1,670                                     | 57,573                       | 64,947                                     | 2,414                                     | 67,361                       |
| Collateral posted for securities borrowed                             | 8,902                                      | -   | 8,902                        | 12,058                                     | -   | 12,058                       |
| Other debtors   | 16,892                                     | -   | 16,892                       | 20,576                                     | -   | 20,576                       |
| Financial investments   | 20   | -   | 20                           | 20   | -   | 20                           |
| Tangible Fixed Assets   | -  | 25  | 25                           | -  | 51  | 51                           |
| Intangible Fixed Assets   | -  | 9   | 9                            | -  | 10  | 10                           |
| Investment in subsidiaries  | -  | -   | -                            | -  | -   | -                            |
| Investment in group companies   | -  | 13  | 13                           | -  | 13  | 13                           |
| <b>Total Assets</b>   | <b>220,945</b>                             | <b>4,472</b>                              | <b>225,417</b>               | <b>242,064</b>                             | <b>5,555</b>                              | <b>247,619</b>               |
| Financial Liabilities held for trading                                | 128,431                                    | 2,721                                     | 131,152                      | 132,098                                    | 3,085                                     | 135,184                      |
| Collateral received for securities sold under agreement to repurchase | 45,068                                     | 1,154                                     | 46,222                       | 60,250                                     | 481                                       | 60,731                       |
| Collateral received for securities loaned                             | 7,521                                      | -   | 7,521                        | 5,999                                      | -   | 5,999                        |
| Other creditors - non lease liabilities                               | 19,170                                     | -   | 19,170                       | 37,320                                     | -   | 37,320                       |
| Other creditors - lease liabilities                                   | 1  | 6   | 7                            | 29   | 7   | 36                           |
| Provisions  | 246  | -   | 246                          | 448  | -   | 448                          |
| Creditors (amounts falling due after more than one year)              | -  | 15,874                                    | 15,874                       | -  | 2,358                                     | 2,358                        |
| <b>Total Liabilities</b>  | <b>200,437</b>                             | <b>19,755</b>                             | <b>220,192</b>               | <b>236,144</b>                             | <b>5,932</b>                              | <b>242,076</b>               |

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### **Operational Risk**

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura Group's reputation if caused by an operational risk. The Company uses the Nomura Group's Operational Risk Management ("ORM") framework for managing operational risk.

##### *The Three Lines of Defence*

The Nomura Group adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising:

- (1) 1st Line of Defence: The business which owns and manages its risks,
- (2) 2nd Line of Defence: The ORM function, which defines and co-ordinates the Nomura Group's operational risk framework and its implementation, and provides challenge to the 1st Line of Defence,
- (3) 3rd Line of Defence: Internal Audit, who provide independent assurance.

The Nomura Group's ORM framework is set out below:

##### *Infrastructure of the framework*

- Policy framework: sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

##### *Products and Services*

- Event Reporting: This process is used to identify and report any event which resulted in or had the potential to result in a loss or gain or other impact associated with inadequate or failed internal processes, people and systems, or from external events.
- Risk and Control Self-assessment ("RCSA"): This process is used to identify the inherent risks the business faces, the key controls associated with those risks and relevant actions to mitigate the residual risks. Global ORM are responsible for developing the RCSA process and supporting the business in its implementation.
- Key Risk Indicators ("KRI"): KRIs are metrics used to monitor the business' exposure to operational risk and trigger appropriate responses as thresholds are breached.
- Scenario Analysis: This process is used to assess and quantify potential high impact, low likelihood operational risk events. During the process, actions may be identified to enhance the control environment, which are then tracked via the Operational Risk Management framework.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 18 RISK MANAGEMENT (continued)

##### Operational Risk (continued)

###### *Outputs*

Risk Appetite: Provides framework for management to set and monitor risk appetite for Non-Financial Risk.

- Analysis and reporting: A key aspect of ORM's role is to analyse, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements.

##### Model Risk

Model Risk is the risk of loss arising from Model errors or incorrect or inappropriate Model application with regard to Valuation Models and Risk Models

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

The Nomura Group has documented policies and procedures in place, approved by Group Integrated Risk Management Committee and/or Global Risk Strategic Committee, which define the process and validation requirements for implementing changes to valuation and risk models. In addition, a Model Performance Monitoring process has been established to identify and assess specific events, that can indicate that a model is not performing as it should or is potentially unsuitable and to determine what actions (for example, additional validation work) might be necessary. For changes with an impact above certain materiality thresholds, model approval is required. MVG defines these materiality thresholds in a formal procedure and operates a control process to identify where the procedure is not followed. For certain material changes to risk models, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to the model being approved.

##### Business Risk

Business risk is the risk of failure of revenues to cover costs due to a deterioration of the earnings environment or a deterioration of the efficiency or effectiveness of the Company's business operations. Business risk is managed by the senior management of the Company, including the Board of Directors.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **18 RISK MANAGEMENT (continued)**

##### **Electronic and Algorithmic Trading Risk**

Risks associated with Electronic and Algorithmic trading activities arise across risk types within both Financial and Non-Financial Risks and are indirectly captured under each risk category. However, the speed and autonomy with which these transactions can be executed presents unique risks that can disrupt markets, lead to the build-up of significant intraday exposures as well as regulatory censure. A framework has been established which looks at these unique risk scenarios more holistically. Key areas of focus include:

- System Runaway and Failure: where Algorithmic Trading Strategies malfunction or generate duplicative or erroneous orders
- Flash Crash: Risk of overreaction to market events by Algorithmic Trading strategies
- Misconduct: Risk of Algorithmic Trading strategies deliberately or inadvertently causing disadvantage to clients, market abuse or market disruption
- Model Risk: The design or incorrect use of Algorithmic Trading Strategies resulting in poor trading and business decisions being made

##### **Fair Values of Financial Assets and Financial Liabilities**

All financial instruments held or issued for trading purposes are carried in the financial statements at fair value which is determined using market values, option pricing models or by discounting expected future cash flows at prevailing interest rates.

The carrying value of financial instruments not measured at fair value is a reasonable approximation of fair value for the majority of these holdings due to the short-term nature of these financial assets and liabilities.

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 18 RISK MANAGEMENT (continued)

#### Financial Instruments Valued Using Unobservable Market Data

Certain financial assets and liabilities are valued using valuation techniques which 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. The potential impact of using reasonably possible alternative assumptions to value these financial instruments at the Statement of Financial Position date is of plus and/or minus of \$2,333,565 (2021: \$7,067,873) which is 10% of fair value of Level 3 Equity and Debt securities.

Where the use of valuation techniques with significant unobservable parameters generates a gain or loss at inception, this is deferred over the life of the contract, until the parameters become observable or the instrument is terminated. Changes in fair value after inception are recognised in the income statement. The total fair value change recognised in profit or loss attributable to these financial instruments at Statement of Financial Position date is a loss of \$(2,730,946) (2021: loss of \$(61,138,547)).

The amounts not recognised during the year relating to the difference between the transaction price and the fair value determined using a valuation technique with unobservable parameters is shown in the table below:

|                              | 2022<br>\$'000 | 2021<br>\$'000 |
|------------------------------|----------------|----------------|
| As at 1 April                | 28,066         | 37,706         |
| New transactions             | 4,790          | 530            |
| Redemptions and terminations | (2,875)        | (10,170)       |
| As at 31 March               | 29,981         | 28,066         |

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions have been applied in determining the fair values of financial instruments:

- (a) The fair value of financial assets and liabilities at amortised cost due within 12 months are assumed to approximate to their carrying values.
- (b) Financial assets classified as fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model.
- (c) Financial assets mandatorily at fair value through profit and loss, financial liabilities designated at fair value through profit and loss and derivatives are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available a valuation model is used to estimate fair value. Valuations models are based, wherever possible, on assumptions supported by observable market prices or rates. 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.

#### Fair value hierarchy

- Level 1** - quoted prices in active markets for the same instrument (i.e. without modification or repackaging).
- Level 2** - quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3** - valuation techniques for which any significant input is not based on observable market data.

The following table presents information about the Company'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 Company to determine such fair values. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement of the financial instrument.

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

##### **Equities**

Equities include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in level 1 of the fair value hierarchy, no valuation adjustments are made to quoted prices in determining fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in level 2. The fair value of unlisted equity securities requires significant management judgement because unlisted equity securities, by their nature, have little or no price transparency. Unlisted equity securities are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. Unlisted equity securities are usually classified in level 3 because significant valuation inputs are unobservable.

##### **Government, agency and municipal securities**

The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in level 1 because they are traded in active markets. Certain securities may be classified in level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

##### **Bank and corporate debt securities and loans carried at fair value**

The fair value of bank and corporate debt securities and loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

##### **Funds**

The fair value of funds is primarily determined using NAV per share as this is a tradeable level and/or the fund uses accepted valuation methods. Where the NAV per share is used as the basis of valuation, the information and valuation provided by the fund manager, including assumptions used, are reviewed for reasonableness. Publicly traded funds which are valued using a daily tradeable NAV per share are classified in level 1 of the fair value hierarchy. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified in level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in level 3. The fair value of certain other funds is determined using DCF valuation techniques. These funds are classified in level 3 as the valuation includes significant unobservable valuation inputs such as liquidity discounts.

##### **Derivatives**

Nomura enters into both exchange-traded and OTC equity, interest rate, credit and foreign exchange derivative transactions. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded derivatives is determined using an unadjusted exchange price and classified in level 1 of the fair value hierarchy. The fair value of exchange-traded equity derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in level 2. The fair value of OTC derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities, correlations, interest rates, credit spreads, recovery rates and foreign exchange rates. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex derivatives are classified in Level 3 where dividend yield, interest rate, credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

Nomura includes valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value.

##### **Collateralised agreements and collateralised financing**

The primary types of collateralised agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

|  | <u>Level 1</u>     | <u>Level 2</u>       | <u>Level 3</u>     | <u>Counterparty<br/>netting</u> | <u>Total</u>         |
|--|--------------------|----------------------|--------------------|---------------------------------|----------------------|
|  | \$'000             | \$'000               | \$'000             | \$'000                          | \$'000               |
| <b>2022</b>  |                    |                      |                    |                                 |                      |
| Financial assets held for trading                                      |                    |                      |                    |                                 |                      |
| - Equity Securities  | 6,285,258          | 85,009               | 8,988              | -                               | 6,379,255            |
| - Debt Securities  | 1,584,579          | 2,740,340            | 14,348             | -                               | 4,339,267            |
| - Derivatives  | 64,619             | 123,999,771          | 1,554,442          | -                               | 125,618,832          |
| Collateral posted for securities purchased under agreements to resell  | -                  | 179,483,909          | -                  | (121,910,685)                   | 57,573,224           |
| Collateral posted for securities borrowed                              | -                  | 8,902,337            | -                  | -                               | 8,902,337            |
| Other debtors  | -                  | 2,263,709            | 292,553            | -                               | 2,556,262            |
| Financial investments  | -                  | -                    | 19,894             | -                               | 19,894               |
| Investment time deposits   | -                  | 2,130                | -                  | -                               | 2,130                |
|  | <u>7,934,456</u>   | <u>317,477,205</u>   | <u>1,890,225</u>   | <u>(121,910,685)</u>            | <u>205,391,201</u>   |
| Financial liabilities held for trading                                 |                    |                      |                    |                                 |                      |
| - Equity Securities  | (3,981,144)        | (1,598)              | (451)              | -                               | (3,983,193)          |
| - Debt Securities  | (641,254)          | (1,146,020)          | (4,651)            | -                               | (1,791,925)          |
| - Derivatives  | (63,525)           | (123,584,749)        | (1,728,242)        | -                               | (125,376,516)        |
| Collateral received for securities sold under agreements to repurchase | -                  | (168,132,370)        | -                  | 121,910,685                     | (46,221,685)         |
| Collateral received for securities loaned                              | -                  | (7,521,241)          | -                  | -                               | (7,521,241)          |
| Other creditors  | -                  | (1,092,098)          | (3,919)            | -                               | (1,096,017)          |
| Creditors (amounts falling due after more than one year)               | -                  | (106,546)            | (48)               | -                               | (106,594)            |
|  | <u>(4,685,923)</u> | <u>(301,584,622)</u> | <u>(1,737,311)</u> | <u>121,910,685</u>              | <u>(186,097,171)</u> |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

|  | <u>Level 1</u>     | <u>Level 2</u>       | <u>Level 3</u>     | Counterparty<br>netting | <u>Total</u>         |
|--|--------------------|----------------------|--------------------|-------------------------|----------------------|
|  | \$'000             | \$'000               | \$'000             | \$'000                  | \$'000               |
| <b>2021</b>  |                    |                      |                    |                         |                      |
| Financial assets held for trading                                      |                    |                      |                    |                         |                      |
| - Equity Securities  | 9,850,147          | 156,872              | 9,398              | -                       | 10,016,417           |
| - Debt Securities  | 1,899,031          | 3,208,323            | 61,281             | -                       | 5,168,635            |
| - Derivatives  | 5,136              | 125,288,519          | 2,328,300          | -                       | 127,621,955          |
| Collateral posted for securities purchased under agreements to resell  | -                  | 193,948,814          | -                  | (126,588,116)           | 67,360,698           |
| Collateral posted for securities borrowed                              | -                  | 12,058,397           | -                  | -                       | 12,058,397           |
| Other debtors  | -                  | 2,406,493            | 162,763            | -                       | 2,569,256            |
| Financial investments  | -                  | -                    | 20,466             | -                       | 20,466               |
| Investment time deposits   | -                  | 3,817                | -                  | -                       | 3,817                |
|  | <u>11,754,314</u>  | <u>337,071,235</u>   | <u>2,582,208</u>   | <u>(126,588,116)</u>    | <u>224,819,641</u>   |
| Financial liabilities held for trading                                 |                    |                      |                    |                         |                      |
| - Equity Securities  | (5,935,589)        | (7,785)              | (1,418)            | -                       | (5,944,792)          |
| - Debt Securities  | (480,694)          | (1,385,408)          | (3,787)            | -                       | (1,869,889)          |
| - Derivatives  | (5,120)            | (125,001,081)        | (2,362,642)        | -                       | (127,368,843)        |
| Collateral received for securities sold under agreements to repurchase | -                  | (187,319,070)        | -                  | 126,588,116             | (60,730,954)         |
| Collateral received for securities loaned                              | -                  | (5,999,444)          | -                  | -                       | (5,999,444)          |
| Other creditors  | -                  | (933,134)            | (640)              | -                       | (933,774)            |
| Creditors (amounts falling due after more than one year)               | -                  | (48,047)             | -                  | -                       | (48,047)             |
|  | <u>(6,421,403)</u> | <u>(320,693,969)</u> | <u>(2,368,487)</u> | <u>126,588,116</u>      | <u>(202,895,743)</u> |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Level 3 financial assets and financial liabilities

Level 3 financial assets and financial liabilities include instruments whose valuations are significantly dependent on parameters which are unobservable in the market. Financial instruments are categorised in accordance with their lowest level significant input. As a result, a derivative valued using a combination of level 1, level 2 and level 3 parameters would be classified in level 3 in its entirety, if its value is significantly affected by at least one significant unobservable parameter.

These 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. Level 3 instruments are also measured using both observable and unobservable inputs. Fair value changes presented in the table on the next page, therefore, reflect realised and unrealised gains and losses resulting from movements in both observable and unobservable parameters.

The following table presents information about financial assets and liabilities measured at fair value on a recurring basis for which the Company has utilised level 3 inputs to determine fair value.

|                                   | <u>At 1 April</u><br><u>2021</u> | <u>Total</u><br><u>gains</u><br><u>(losses)</u><br><u>in P&amp;L</u> | <u>Purchases</u> | <u>Sales</u>    | <u>Settlement</u>  | <u>Transfers</u><br><u>in level 3</u> | <u>Transfers</u><br><u>out of</u><br><u>level 3</u> | <u>At 31 March</u><br><u>2022</u> | <u>Unrealised</u><br><u>Total gains</u><br><u>(losses) in</u><br><u>P&amp;L</u> |
|-----------------------------------|----------------------------------|--|------------------|-----------------|--------------------|---------------------------------------|---|-----------------------------------|---|
|                                   | \$'000                           | \$'000   | \$'000           | \$'000          | \$'000             | \$'000                                | \$'000  | \$'000                            | \$'000  |
| <b>Financial assets</b>           |                                  |  |                  |                 |                    |                                       |   |                                   |   |
| Financial assets held for trading |                                  |  |                  |                 |                    |                                       |   |                                   |   |
| - Equity                          |                                  |  |                  |                 |                    |                                       |   |                                   |   |
| Securities                        | 9,398                            | (3,272)  | 1,601            | (13,192)        | -                  | 14,684                                | (230)   | 8,988                             | (1,352)   |
| - Debt                            |                                  |  |                  |                 |                    |                                       |   |                                   |   |
| Securities                        | 61,281                           | 541  | 1,635            | (48,139)        | -                  | 62                                    | (1,032)   | 14,348                            | 956   |
| - Derivatives                     | 2,328,300                        | 308,951  | -                | -               | (1,075,153)        | 83,738                                | (91,395)  | 1,554,442                         | 405,766   |
| Other debtors                     | 162,763                          | 5,903  | 212,970          | (22,518)        | -                  | -                                     | (66,565)  | 292,553                           | 5,711   |
| Financial investments             | 20,466                           | (406)  | -                | (165)           | -                  | -                                     | -   | 19,894                            | (18)  |
|                                   | <u>2,582,208</u>                 | <u>311,717</u>   | <u>216,206</u>   | <u>(84,014)</u> | <u>(1,075,153)</u> | <u>98,484</u>                         | <u>(159,222)</u>                                    | <u>1,890,225</u>                  | <u>411,063</u>  |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Level 3 financial assets and financial liabilities (continued)**

|  | <u>At 1 April</u><br><u>2021</u> | <u>Total</u><br><u>gains</u><br><u>(losses)</u><br><u>in P&amp;L</u> | <u>Purchases</u> | <u>Sales</u> | <u>Settlement</u> | <u>Transfers</u><br><u>in level 3</u> | <u>Transfers</u><br><u>out of</u><br><u>level 3</u> | <u>At 31 March</u><br><u>2022</u> | <u>Unrealised</u><br><u>Total gains</u><br><u>(losses) in</u><br><u>P&amp;L</u> |
|--|----------------------------------|--|------------------|--------------|-------------------|---------------------------------------|---|-----------------------------------|---|
|  | \$'000                           | \$'000   | \$'000           | \$'000       | \$'000            | \$'000                                | \$'000  | \$'000                            | \$'000  |
| <b>Financial liabilities</b>           |                                  |  |                  |              |                   |                                       |   |                                   |   |
| Financial liabilities held for trading |                                  |  |                  |              |                   |                                       |   |                                   |   |
| - Equity Securities                    | (1,418)                          | (1)  | (3)              | 971          | -                 | -                                     |   | (451)                             | (179)   |
| - Debt Securities                      | (3,787)                          | 104  | (4,620)          | 3,733        | -                 | (82)                                  | -   | (4,651)                           | -   |
| - Derivatives                          | (2,362,642)                      | (826,842)  | -                | -            | 1,380,269         | (20,434)                              | 101,408   | (1,728,242)                       | (766,689)   |
| Other creditors                        | (640)                            | (4,057)  | -                | 778          | -                 | -                                     | -   | (3,919)                           | (3,801)   |
| Creditors due after more than one year | -                                | (177)  | -                | 129          | -                 | -                                     | -   | (48)                              | (47)  |
|  | <u>(2,368,487)</u>               | <u>(830,973)</u>   | <u>(4,623)</u>   | <u>5,611</u> | <u>1,380,269</u>  | <u>(20,516)</u>                       | <u>101,408</u>                                      | <u>(1,737,311)</u>                | <u>(770,717)</u>  |

Total gains and losses on financial assets included in the above table are included in 'Trading profit' in the statement of comprehensive income.

The Company 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.

Instruments transferred out of level 3, due to significant valuation inputs becoming observable, and transferred into level 3, due to significant valuation inputs becoming unobservable.

# **NOMURA INTERNATIONAL PLC**

## **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

### **19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

#### **Transfers between level 1 and level 2**

The following table shows transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value:

**As at 31 March 2022**

|  | <b><u>Transfers from<br/>level 1 to level 2</u></b> | <b><u>Transfers from<br/>level 2 to level 1</u></b> |
|--|---|---|
|  | <b>\$'000</b>                                       | <b>\$'000</b>                                       |
| <b>Financial assets</b>                |   |   |
| Financial assets held for trading      |   |   |
| - Equities                             | 27,853  | 7,826   |
| - Debt securities and loans            | -   | -   |
|  | <u>27,853</u>                                       | <u>7,826</u>  |
| <b>Financial liabilities</b>           |   |   |
| Financial liabilities held for trading |   |   |
| - Equities                             | (78)  | (2,133)   |
| - Debt securities and loans            | -   | (22)  |
|  | <u>(78)</u>   | <u>(2,155)</u>                                      |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Transfers between level 1 and level 2 (continued)**

**As at 31 March 2021**

|  | <u>Transfers from<br/>level 1 to level 2</u><br>\$'000 | <u>Transfers from<br/>level 2 to level 1</u><br>\$'000 |
|--|--|--|
| <b>Financial assets</b>                |  |  |
| Financial assets held for trading      |  |  |
| - Equities                             | 15,767   | 543,388  |
| - Debt securities and loans            |  | 20,646   |
|  |  | <u>56,124</u>  |
|  | <u>36,413</u>  | <u>599,512</u>   |
| <b>Financial liabilities</b>           |  |  |
| Financial liabilities held for trading |  |  |
| - Equities                             | (800)  | (311,994)  |
| - Debt securities and loans            | -  | (15,360)   |
|  | <u>(800)</u>   | <u>(327,354)</u>                                       |

Instruments were transferred from level 1 to level 2 due to the observable parameters becoming less active and transferred from level 2 to level 1 because the valuation parameters became more active.

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**A Level 3 quantitative disclosures on significant unobservable inputs**

The following table presents quantitative information about the significant unobservable inputs and assumptions used by the Company for Level 3 financial instruments as of 31 March 2022 and 31 March 2021.

| <u>Class of financial instrument</u> | <u>Fair value</u><br>\$'000 | <u>Valuation techniques</u> | <u>Unobservable inputs</u> | <u>Range</u> | <u>Weighted average</u><br>(%) |
|--------------------------------------|-----------------------------|-----------------------------|----------------------------|--------------|--------------------------------|
| <b>2022</b>                          |                             |                             |                            |              |                                |
| Financial assets held for trading    |                             |                             |                            |              |                                |
| - Equity securities                  | 8,988                       | DCF                         | Liquidity discount         | 75%-75%      | 75                             |
| - Debt securities                    | 14,348                      | DCF                         | Credit spreads             | 7.3%-7.3%    | 7.3                            |
|                                      | -                           |                             | Recovery rates             | 1%-9%        | 7.4                            |
| - Derivatives                        | 1,554,442                   | DCF\Option Model            | Interest rates             | 0.3%-3.3%    |                                |
|                                      | -                           |                             | Credit spread              | 0.1%-43.6%   |                                |
|                                      | -                           |                             | Recovery rates             | 20%-90%      |                                |
|                                      | -                           |                             | Dividend yield             | 0%-13%       |                                |
|                                      | -                           |                             | Volatilities               | 0%-110%      |                                |
|                                      | -                           |                             | Volatilities               | 38bps-128bps |                                |
|                                      | -                           |                             | Correlations               | (1)-0.97     |                                |
| Other debtors                        | 292,553                     | DCF                         | Credit spreads             | 1.4%-11.8%   | 4.3                            |
| Financial investments                | 19,894                      | DCF                         | Liquidity discount         | 40%-40%      | 40                             |
| <b>Total Level 3</b>                 | <b>1,890,225</b>            |                             |                            |              |                                |



NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A Level 3 quantitative disclosures on significant unobservable inputs (continued)

| <u>Class of financial instrument</u> | <u>Fair value</u><br>\$'000 | <u>Valuation techniques</u> | <u>Unobservable inputs</u> | <u>Range</u> | <u>Weighted average</u><br>(%) |
|--------------------------------------|-----------------------------|-----------------------------|----------------------------|--------------|--------------------------------|
| <b>2021</b>                          |                             |                             |                            |              |                                |
| Financial assets held for trading    |                             |                             |                            |              |                                |
| - Equity securities                  | 9,398                       | DCF                         | Liquidity discount         | 75%-75%      | 75                             |
| - Debt securities                    | 61,281                      | DCF                         | Credit spreads             | 0%-7.6%      | 5.8                            |
|                                      | -                           |                             | Recovery rates             | 3.4%-30%     | 15                             |
| - Derivatives                        | 2,328,300                   | DCF\Option Model            | Interest rates             | 0.1%-2.3%    |                                |
|                                      | -                           |                             | Credit spread              | 0%-20.8%     |                                |
|                                      | -                           |                             | Recovery rates             | 25%-90%      |                                |
|                                      | -                           |                             | Dividend yield             | 0%-10%       |                                |
|                                      | -                           |                             | Volatilities               | 4%-102%      |                                |
|                                      | -                           |                             | Volatilities               | 19bps-94bps  |                                |
|                                      | -                           |                             | Correlations               | (1)-0.98     |                                |
| Other debtors                        | 162,763                     | DCF                         | Credit spreads             | 0.0%-6.9%    | 4                              |
| Financial investments                | 20,466                      | DCF                         | Liquidity discount         | 40%-40%      | 40                             |
| Total Level 3                        | 2,582,208                   |                             |                            |              |                                |

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A Level 3 quantitative disclosures on significant unobservable inputs (continued)

| <u>Class of financial instrument</u>                  | <u>Fair value</u><br>\$'000 | <u>Valuation techniques</u> | <u>Unobservable inputs</u> | <u>Range</u> | <u>Weighted average</u><br>(%) |
|---|-----------------------------|-----------------------------|----------------------------|--------------|--------------------------------|
| <b>2022</b>   |                             |                             |                            |              |                                |
| Financial liabilities held for trading                |                             |                             |                            |              |                                |
| - Equity securities                                   | (451)                       | DCF                         | Liquidity discount         |              |                                |
| - Debt securities                                     | (4,651)                     | DCF                         | Credit spreads             | 8.4%-8.4%    | 8.4                            |
|   | -                           |                             | Recovery rates             |              |                                |
| - Derivatives   | (1,728,242)                 | DCF\Option Model            | Interest rates             | 0.3%-3.3%    |                                |
|   | -                           |                             | Credit spread              | 0.1%-43.6%   |                                |
|   | -                           |                             | Recovery rates             | 20%-90%      |                                |
|   | -                           |                             | Dividend yield             | 0%-13%       |                                |
|   | -                           |                             | Volatilities               | 0%-110%      |                                |
|   | -                           |                             | Volatilities               | 38bps-128bps |                                |
|   | -                           |                             | Correlations               | -1-0.97      |                                |
| Other creditors                                       | (3,919)                     | DCF                         | Credit spreads             | 4.2%-5.5%    | 4.7                            |
| Creditor: amount falling due after more than one year | (48)                        |                             |                            |              |                                |
| Total Level 3   | (1,737,311)                 |                             |                            |              |                                |

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A Level 3 quantitative disclosures on significant unobservable inputs (continued)

| <u>Class of financial instrument</u>                  | <u>Fair value</u><br>\$'000 | <u>Valuation techniques</u> | <u>Unobservable inputs</u> | <u>Range</u> | <u>Weighted average</u><br>(%) |
|---|-----------------------------|-----------------------------|----------------------------|--------------|--------------------------------|
| <b>2021</b>   |                             |                             |                            |              |                                |
| Financial liabilities held for trading                |                             |                             |                            |              |                                |
| - Equity securities                                   | (1,418)                     | DCF                         | Liquidity discount         | 75%-75%      | 75                             |
| - Debt securities                                     | (3,787)                     | DCF                         | Credit spreads             | 0%-7.6%      | 5.8                            |
|   | -                           |                             | Recovery rates             | 3.4%-30%     | 15                             |
| - Derivatives   | (2,362,642)                 | DCF\Option Model            | Interest rates             | 0.1%-2.3%    |                                |
|   | -                           |                             | Credit spread              | 0.0%-20.8%   |                                |
|   | -                           |                             | Recovery rates             | 25%-90%      |                                |
|   | -                           |                             | Dividend yield             | 0%-10%       |                                |
|   | -                           |                             | Volatilities               | 4%-102%      |                                |
|   | -                           |                             | Volatilities               | 19bps-94bps  |                                |
|   | -                           |                             | Correlations               | (1)-0.98     |                                |
| Other creditors                                       | (640)                       | DCF                         | Credit spreads             | 0.0%-7.3%    | 3.6                            |
| Creditor: amount falling due after more than one year | -                           |                             |                            |              |                                |
| Total Level 3   | (2,368,487)                 |                             |                            |              |                                |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### B Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the Statement of Financial Position since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortised cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within loans, debtors, cash and cash equivalent, borrowings from fellow subsidiary undertakings, cash collateral and other liabilities.

Cash and cash equivalent, other debtors, borrowings from fellow subsidiary undertakings and cash collateral, in the Statement of Financial Position would generally be classified in either level 1 or level 2 within the fair value hierarchy.

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instruments, of which a portion of the ending balance was carried at fair value as of 31 March 2022 and 31 March 2021.

|   | <u>Carrying amount</u> | <u>Fair value</u>   | <u>Fair value by level</u> |                     |                |
|---|------------------------|---------------------|----------------------------|---------------------|----------------|
|   | <u>\$'000</u>          | <u>\$'000</u>       | <u>Level 1</u>             | <u>Level 2</u>      | <u>Level 3</u> |
|   | <u>\$'000</u>          | <u>\$'000</u>       | <u>\$'000</u>              | <u>\$'000</u>       | <u>\$'000</u>  |
| <b>2022</b>   |                        |                     |                            |                     |                |
| <b>Financial assets:</b>                                |                        |                     |                            |                     |                |
| Other debtors   | 14,166,126             | 14,173,019          | 389,214                    | 13,783,805          | -              |
| Investment time deposit                                 | 118,840                | 118,840             | -                          | 118,840             | -              |
| Cash and cash equivalent                                | 5,487,226              | 5,487,226           | 4,811,444                  | 675,782             | -              |
|   | <u>19,772,192</u>      | <u>19,779,085</u>   | <u>5,200,658</u>           | <u>14,578,427</u>   | <u>-</u>       |
| <b>Financial liabilities:</b>                           |                        |                     |                            |                     |                |
| Other creditors   | (17,873,174)           | (17,873,174)        | -                          | (17,873,174)        | -              |
| Creditors: amounts falling due after more than one year | (15,767,699)           | (15,767,699)        | -                          | (15,767,699)        | -              |
|   | <u>(33,640,873)</u>    | <u>(33,640,873)</u> | <u>-</u>                   | <u>(33,640,873)</u> | <u>-</u>       |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**B Estimated fair value of financial instruments not carried at fair value (continued)**

|   | <u>Carrying<br/>amount</u> | <u>Fair value</u>   | <u>Fair value by level</u> |                     |                |
|---|----------------------------|---------------------|----------------------------|---------------------|----------------|
|   | <u>\$'000</u>              | <u>\$'000</u>       | <u>Level 1</u>             | <u>Level 2</u>      | <u>Level 3</u> |
|   | <u>\$'000</u>              | <u>\$'000</u>       | <u>\$'000</u>              | <u>\$'000</u>       | <u>\$'000</u>  |
| <b>2021</b>   |                            |                     |                            |                     |                |
| <b>Financial assets:</b>                                      |                            |                     |                            |                     |                |
| Other debtors   | 17,829,347                 | 17,829,346          | 431,705                    | 17,397,641          | -              |
| Investment time deposit                                       | 1,136,055                  | 1,136,055           | -                          | 1,136,055           | -              |
| Cash and cash equivalent                                      | 3,576,546                  | 3,576,546           | 2,787,368                  | 789,178             | -              |
|   | <u>22,541,948</u>          | <u>22,541,947</u>   | <u>3,219,073</u>           | <u>19,322,874</u>   | <u>-</u>       |
| <b>Financial liabilities:</b>                                 |                            |                     |                            |                     |                |
| Other creditors   | (36,098,124)               | (36,134,707)        | -                          | (36,134,707)        | -              |
| Creditors: amounts falling<br>due after more than one<br>year | (2,310,116)                | (2,310,116)         | -                          | (2,310,116)         | -              |
|   | <u>(38,408,240)</u>        | <u>(38,444,823)</u> | <u>-</u>                   | <u>(38,444,823)</u> | <u>-</u>       |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**20 OFFSETTING DISCLOSURES**

|   | <b><u>Collateral posted<br/>for securities<br/>purchased under<br/>agreements to<br/>resell<br/>\$'000</u></b> | <b><u>Collateral posted<br/>for securities<br/>borrowed<br/>\$'000</u></b> | <b><u>Derivatives<br/>\$'000</u></b> |
|---|--|--|--------------------------------------|
| <b><u>2022</u></b>  |  |  |                                      |
| <b><u>Assets:</u></b>   |  |  |                                      |
| Total gross balance (1)   | 179,483,909  | 8,902,337  | 125,618,833                          |
| Less: Amounts offset in the Statement of<br>Financial Position                      | (121,910,685)  | -  | -                                    |
| Total net amounts of reported on the face of<br>the Statement of Financial Position | 57,573,224   | 8,902,337  | 125,618,833                          |
| Less: Additional amounts not offset in the<br>Statement of Financial Position       | (17,967,251)   | (3,865,293)  | (114,383,905)                        |
| Financial instruments and non-cash collateral                                       | (37,176,514)   | (3,271,181)  | (1,389,815)                          |
| Cash collateral   | (164,457)  | -  | (7,614,466)                          |
| Net Amount  | 2,265,002  | 1,765,863  | 2,230,647                            |
| <b><u>2021</u></b>  |  |  |                                      |
| <b><u>Assets:</u></b>   |  |  |                                      |
| Total gross balance (1)   | 193,948,814  | 12,058,397   | 127,621,955                          |
| Less: Amounts offset in the Statement of<br>Financial Position                      | (126,588,116)  | -  | -                                    |
| Total net amounts of reported on the face of<br>the Statement of Financial Position | 67,360,698   | 12,058,397   | 127,621,955                          |
| Less: Additional amounts not offset in the<br>Statement of Financial Position       | (25,858,938)   | (3,929,512)  | (113,053,681)                        |
| Financial instruments and non-cash collateral                                       | (37,906,181)   | (5,042,913)  | (893,676)                            |
| Cash collateral   | (2,866)  | -  | (10,906,452)                         |
| Net Amount  | 3,592,713  | 3,085,972  | 2,768,146                            |

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**20 OFFSETTING DISCLOSURES (continued)**

|   | <u>Collateral<br/>received for<br/>securities sold<br/>under<br/>agreements to<br/>repurchase<br/>\$'000</u> | <u>Collateral<br/>received for<br/>securities<br/>loaned<br/>\$'000</u> | <u>Derivatives<br/>\$'000</u> |
|---|--|---|-------------------------------|
| <b><u>2022</u></b>  |  |   |                               |
| <b><u>Liabilities:</u></b>  |  |   |                               |
| Total gross balance (1)   | (168,132,370)  | (7,521,241)   | (125,376,516)                 |
| Less: amounts offset in the Statement of<br>Financial Position                      | 121,910,685  | -   | -                             |
| Total net amounts of reported on the face of<br>the Statement of Financial Position | (46,221,685)   | (7,521,241)   | (125,376,516)                 |
| Less: additional amounts not offset in the<br>Statement of Financial Position (2)   | 17,967,251   | 3,865,293   | 114,383,905                   |
| Financial instruments and non-cash collateral                                       | 27,079,193   | 2,451,871   | 375,353                       |
| Cash collateral   | 76,555   | -   | 8,436,420                     |
| Net amount  | (1,098,686)  | (1,204,077)   | (2,180,838)                   |
| <b><u>2021</u></b>  |  |   |                               |
| <b><u>Liabilities:</u></b>  |  |   |                               |
| Total gross balance (1)   | (187,319,070)  | (5,999,444)   | (127,368,843)                 |
| Less: amounts offset in the Statement of<br>Financial Position                      | 126,588,116  | -   | -                             |
| Total net amounts of reported on the face of<br>the Statement of Financial Position | (60,730,954)   | (5,999,444)   | (127,368,843)                 |
| Less: additional amounts not offset in the<br>Statement of Financial Position (2)   | 25,858,938   | 3,929,513   | 113,053,681                   |
| Financial instruments and non-cash collateral                                       | 33,975,815   | 853,946   | 674,866                       |
| Cash collateral   | 7  | -   | 11,473,647                    |
| Net amount  | (896,194)  | (1,215,985)   | (2,166,649)                   |

1) Includes all recognised balances irrespective of whether they are transacted under legally enforceable master netting agreements. Amounts include transactions carried at fair value through election of the fair value option.

2) Represents amounts which are not permitted to be offset on the face of the Statement of Financial Position but which provide the Company with the right of offset in the event of counterparty default. Amounts relating to agreements where the Company does not have a legal right of offset or has not yet determined with sufficient certainty whether the right of offset is legally enforceable are excluded. The amount disclosed has been capped per the relevant netting agreement so as not to exceed the net amount of financial assets presented on the Statement of Financial Position. Thus, over-collateralisation is not reflected in the table.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 21 CAPITAL MANAGEMENT POLICY

The objectives of the Company's capital management policies are to ensure that the Company complies with externally imposed capital requirements and to seek to enhance shareholder value by capturing business opportunities as they develop. To achieve these goals, sufficient capital is maintained to support the Company's business and to withstand losses due to extreme market movements.

The Company reviews the appropriate level of capital sufficiency, with senior management responsible for implementing and enforcing capital policies. The determination of the Statement of Financial Position size and the level of capital take into consideration regulatory requirements, economic risks inherent in its business and maintenance of a debt rating appropriate to a global financial institution. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Company is subject to and has complied with the regulatory requirements imposed by HM Treasury and the PRA under the U.K. Financial Services Regulatory Framework.

No changes were made in the objectives, policies or processes for managing capital during the year.

#### *Regulatory Capital*

Regulatory guidelines developed by the Basel Committee and European Union Regulation and Directives, as implemented by the PRA for supervisory purposes define two 'Tiers' of capital resources. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital, reserves and retained earnings. Tier 2 consists of long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity and all market and counterparty risks.

|                      | <b><u>2022</u></b><br><b><u>\$'000</u></b> | <b><u>2021</u></b><br><b><u>\$'000</u></b> |
|----------------------|--|--|
| Common Equity Tier 1 | 5,224,468                                  | 5,542,314                                  |
| Adjustments to CET 1 | <u>(199,580)</u>                           | <u>(510,121)</u>                           |
| Tier 1 Capital       | 5,024,888                                  | 5,032,193                                  |
| Tier 2 Capital       | <u>1,260,000</u>                           | <u>1,260,000</u>                           |
| Own Funds            | <u>6,284,888</u>                           | <u>6,292,193</u>                           |



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **22 UNCONSOLIDATED STRUCTURED ENTITIES**

The Company has an involvement with various structured entities which are designed to achieve a specific business purpose. Structured entities have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements. Such entities generally have restricted activities as well as narrow and well-defined objectives.

As the Company has taken the exemption from preparing consolidated financial statements under section 401 of Companies Act 2006, disclosures are in relation to the Company's involvement with all structured entities, irrespective of whether they are consolidated or not.

Below is a description of the Company's involvements in structured entities by type:

##### **Securitisation Vehicles:**

The Company establishes securitisation vehicles to meet clients' investment needs through the combination of securities and derivatives, including fixed income and equities products. The vehicles fund these investments by issuing structured notes, the repayment of which is linked to the performance of the assets in the vehicles. The Company often transfers assets and enters into derivatives with these securitisation vehicles.

The Company also invests in third party securitisation vehicles in the form of asset backed securities.

##### **Investment Funds:**

The Company holds investments in third party investment funds such as Mutual Funds and Hedge Funds in the normal course of trading activity. In addition, the Company holds seed investments in Undertakings for the Collective Investment of Transferable Securities ("UCITS") and other Funds sponsored by fellow subsidiaries within the Nomura Group.

##### **Other:**

These are investments in third party structured entities that do not fall into any criteria above.

The following table shows the carrying amounts of the Company's interests recognised in the Statement of Financial Position as well as the maximum exposure to loss resulting from their interests in structured entities. It also provides an indication of the size of the structured entities.

The maximum exposure to loss is determined by considering the nature of the interest in the structured entity. The maximum exposure for loans and trading instruments is reflected by the carrying amounts. The maximum exposure for derivatives and off Statement of Financial Position commitments is reflected by the notional amounts. Maximum exposure to loss does not reflect the Company's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges the Company enters into to reduce its exposure. The risks associated with structured entities in which the Company is involved are limited to the amounts recorded in the Statement of Financial Position and the amount of commitments.

**NOMURA INTERNATIONAL PLC**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

**22 UNCONSOLIDATED STRUCTURED ENTITIES (continued)**

|  | <u>Carrying<br/>amount of<br/>variable<br/>interests asset</u> | <u>Carrying<br/>amount of<br/>variable<br/>interests<br/>liabilities</u> | <u>Maximum<br/>exposure to loss<br/>to unconsolidated<br/>structured entities</u> | <u>Total size of<br/>structured<br/>entities</u> |
|--|--|--|---|--|
|  | \$'m   | \$'m   | \$'m  | \$m  |
| <b><u>2022</u></b>   |  |  |   |  |
| Financial assets held for trading  | 838  | -  | 1,536   |  |
| Financial liabilities held for trading                                       | -  | (78)   | 414   |  |
| Collateral posted for securities<br>purchased under agreements to<br>resell  | 120  | -  | 120   |  |
| Collateral received for securities<br>sold under agreements to<br>repurchase | -  | (622)  | -   |  |
|  | <u>958</u>   | <u>(700)</u>   | <u>2,070</u>  | <u>795,397</u>                                   |
| <b><u>2021</u></b>   |  |  |   |  |
| Financial assets held for trading  | 1,173  | -  | 2,184   |  |
| Financial liabilities held for trading                                       | -  | (120)  | 583   |  |
| Collateral posted for securities<br>purchased under agreements to<br>resell  | 120  | -  | 120   |  |
| Collateral received for securities<br>sold under agreements to<br>repurchase | -  | (1,016)  | -   |  |
|  | <u>1,293</u>   | <u>(1,136)</u>   | <u>2,887</u>  | <u>914,887</u>                                   |

The Company did not provide non-contractual support during the year to unconsolidated structured entities.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 23 LEASES

The Company's leases principally relate to real estate which are classified as finance leases under IFRS 16. The Company also sub-leases certain real estate to third parties. Under IFRS 16, these sub-leases are all classified as finance leases. Right of use assets and lease liabilities recognised for leases for which the Company is lessee are presented in tangible assets (see Note 11) and other creditors (see Note 15) respectively.

The amounts recognised in profit or loss in respect of these leases is shown in interest and similar income (see Note 2), interest expenses (see Note 3), general and administrative expenses (see Note 4).

The total cash outflow recognised in the Statement of Cash Flows was \$30 million, comprising \$30 million payment of principal portion of lease liabilities recognised as cash flows from financing activities, \$0.9 million sublease income and \$0.4 million interest expense recognised as cash flows from operating activities.

#### Lease Commitments

|                          | <u>2022</u><br><u>Buildings</u><br>\$'000 | <u>2022</u><br><u>Other</u><br>\$'000 | <u>2021</u><br><u>Building</u><br>\$'000 | <u>2021</u><br><u>Other</u><br>\$'000 |
|--------------------------|---|---------------------------------------|--|---------------------------------------|
| Within one year          | 1,211                                     | 18                                    | 29,848                                   | 33                                    |
| Within two to five years | 3,375                                     | 6                                     | 4,698                                    | 18                                    |
| After five years         | 2,026                                     | -                                     | 2,837                                    | -                                     |
|                          | <u>6,612</u>                              | <u>24</u>                             | <u>37,383</u>                            | <u>51</u>                             |

At 31 March 2022, the undiscounted sublease payments expected to be received for the sublease agreements (Finance Lease) under IFRS 16 are as follows:

|   | <u>2022</u><br>\$'000 | <u>2021</u><br>\$'000 |
|---|-----------------------|-----------------------|
| Within 1 year                                       | -                     | 1,838                 |
| Within 2-5 years                                    | -                     | -                     |
|   | <u>-</u>              | <u>1,838</u>          |
| Less: Unearned finance sublease income              | -                     | (13)                  |
| Net investment in lease recognised on balance sheet | <u>-</u>              | <u>1,825</u>          |

The amounts recognised in profit or loss in respect of these leases are as follows:

|  | <u>2022</u><br>\$'000 | <u>2021</u><br>\$'000 |
|--|-----------------------|-----------------------|
| Income from sub-leasing ROU assets (note 2)  | 899                   | 868                   |
| Interest income on lease receivables (note 3)  | 13                    | 83                    |
| Interest expenses on lease liabilities (note 3)  | 348                   | (852)                 |
| Depreciation expense on ROU assets (note 4)  | (32,010)              | (36,406)              |
| Expense relating to leases of low-value assets (included in general & administrative expenses) | (1,818)               | (2,143)               |

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 24 EMPLOYEES

The average monthly number of persons employed by the Company during the year and their location were as follows:

|                        | <u>Year ended</u><br><u>31 March 2022</u> | <u>Year ended</u><br><u>31 March 2021</u> |
|------------------------|---|---|
|                        | Number                                    | Number                                    |
| United Kingdom         | 1,819                                     | 1,745                                     |
| Other Europe           | 1   | 1   |
| Middle East and Africa | 16  | 26  |
|                        | <u>1,836</u>                              | <u>1,772</u>                              |

#### 25 DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

|   | <u>Year ended</u><br><u>31 March 2022</u> | <u>Year ended</u><br><u>31 March 2021</u> |
|---|---|---|
|   | \$'000                                    | \$'000                                    |
| Salaries, allowances and taxable benefits | 5,754                                     | 5,347                                     |
| Company contributions to pension          | 18  | 27  |
| Bonuses                                   | <u>2,345</u>                              | <u>1,432</u>                              |
|   | <u>8,117</u>                              | <u>6,806</u>                              |

The number of Directors who exercised share options during the year was 1 (2021: 2).

The number of Directors who were entitled to receive shares under long-term incentive plans during the year was Nil (2021: Nil).

The number of Directors accruing retirement benefits under money purchase pension schemes during the year was 1 (2021: 1).

The highest paid Director received emoluments of \$4,788,616 (2021: \$3,785,923) and the Company made no contribution to pension in 2022 (2021: Nil). The highest paid Director did not exercised share options during 2022 and was not entitled to receive shares under long-term incentive plans.

## NOMURA INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

#### 26 SHARE-BASED PAYMENTS AND SIMILAR DEFERRED COMPENSATION AWARDS

The Company and NHI, the ultimate holding company in the Nomura Group, provide various types of share-based payments and similar deferred compensation awards to the Directors and employees of the Company. The following table summarises the main types of award currently granted to Directors and employees for services provided to the Company.

Unless otherwise indicated below, all awards have graded vesting over three years and extended vesting periods of up to seven years for certain Directors and employees in order to meet regulatory requirements based on the role they perform for the Company. All awards are generally forfeited in the event of voluntary termination of employment, or reduced and/or clawed back in the event of material conduct issues, material downturn in performance of the Nomura Group and/or a material failure of risk management. However, most awards include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue the vesting of the awards in the event of voluntary termination of employment if certain criteria based on corporate title and length of service within Nomura are met.

| Type of award  | Key features  | Key accounting considerations  |
|--|---|--|
| <b>Restricted Stock Unit ("RSU") Awards</b>                      | <ul style="list-style-type: none"> <li>• Granted and settled by NHI</li> </ul>  | <ul style="list-style-type: none"> <li>• Classified as equity awards as settled in NHI common shares.</li> </ul>   |
| Restricted stock units linked to the price of NHI common shares. | <ul style="list-style-type: none"> <li>• Graded vesting period generally over 3 years.</li> <li>• Extended vesting period of up to seven years for senior management and certain employees in order to meet local regulatory requirements based on the role they perform in Nomura Group.</li> <li>• Primary type of deferred compensation award for Nomura Group.</li> </ul> | <ul style="list-style-type: none"> <li>• Grant date fair value based on listed price of NHI common shares as adjusted for future estimated dividends.</li> <li>• Total compensation cost based on grant date fair value, net of estimated and actual forfeitures.</li> <li>• Total compensation expense recognised by the Company in connection with RSU awards was \$55,579,824 (2021: \$46,154,256)</li> </ul> |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 26 SHARE-BASED PAYMENTS AND SIMILAR DEFERRED COMPENSATION AWARDS (continued)

| Type of award   | Key features  | Key accounting considerations   |
|---|---|---|
| <b>Stock Acquisition Right (SAR) Plan B awards</b><br>Restricted stock units linked to the price of NHI common shares designed to replicate traditional restricted stock awards used in the United States and Europe. | <ul style="list-style-type: none"> <li>• Granted and settled by NHI.</li> <li>• Settled in common shares of NHI.</li> <li>• Exercise price of ¥1 per share.</li> <li>• No dividend equivalent amounts paid or accrue during vesting period.</li> <li>• Options exercisable for up to 5 years after vesting date.</li> </ul>   | <ul style="list-style-type: none"> <li>• Classified as equity awards as settled in NHI common shares.</li> <li>• Grant date fair value based on listed price of NHI common shares as adjusted for future estimated dividends.</li> <li>• Total compensation cost measured based on grant date fair value, net of estimated and actual forfeitures</li> <li>• Total compensation release recognised by the Company in connection with SAR Plan B awards was \$1,221,090 (2021: \$353,612)</li> </ul> |
| <b>Notional Stock Unit (NSU) awards</b><br>Phantom plan linked to the price of NHI common shares designed to replicate the key features of RSU awards.  | <ul style="list-style-type: none"> <li>• Granted and settled by the Company.</li> <li>• Used in countries where equity-settled RSU awards are less favorably treated from a tax or other perspective.</li> <li>• Granted in May each year in respect of the prior fiscal year and also quarterly to new employees as a recruitment incentive to replace awards forfeited from prior employers.</li> </ul> | <ul style="list-style-type: none"> <li>• Classified as liability awards as settled in cash.</li> <li>• Grant date fair value based on listed price of NHI common shares.</li> <li>• Total Compensation cost remeasured at each balance sheet date to reflect the expected settlement amount, net of estimated and actual forfeitures</li> <li>• Total compensation expense recognised by the Company in connection with NSU awards was \$38,170,168 (2021: \$50,504,201)</li> </ul>                 |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 26 SHARE-BASED PAYMENTS AND SIMILAR DEFERRED COMPENSATION AWARDS (continued)

| Type of award  | Key features   | Key accounting considerations   |
|--|--|---|
| <b>Collared Notional Stock Unit ("CSU") awards</b><br>Phantom plan linked to the price of NHI common shares with exposure subject to a cap and floor | <ul style="list-style-type: none"> <li>• Granted and settled by the Company.</li> <li>• Cash settled.</li> <li>• Exposure of the employee to NHI share price is subject to a cap and a floor.</li> </ul> | <ul style="list-style-type: none"> <li>• Classified as liability awards as settled in cash.</li> <li>• Grant date fair value based on option pricing model.</li> <li>• Total compensation cost remeasured at each balance sheet date to reflect the expected settlement amount, net of estimated and actual forfeitures.</li> <li>• Total compensation expense recognised by the Company in connection with CSU awards was \$1,028,974 (2021: \$3,204,647).</li> </ul>                        |
| <b>Notional Index Unit (NIU) awards</b><br>Phantom plan linked to a world stock index quoted by Morgan Stanley Capital International.                | <ul style="list-style-type: none"> <li>• Granted and settled by the Company.</li> <li>• Cash settled.</li> </ul>   | <ul style="list-style-type: none"> <li>• Classified as liability awards as settled in cash.</li> <li>• Grant date fair value based on the closing price of the index on such date.</li> <li>• Total compensation cost remeasured at each balance sheet date to reflect the expected settlement amount, net of estimated and actual forfeitures.</li> <li>• Total compensation expense recognised by the Company in connection with NIU awards was \$1,209,370 (2021: \$3,439,225).</li> </ul> |

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 26 SHARE-BASED PAYMENTS AND SIMILAR DEFERRED COMPENSATION AWARDS (continued)

The following table presents a roll-forward of activity in each of the key types of deferred compensation award during the years ended 31 March 2022 and 31 March 2021.

|  | RSU<br>awards  | SAR Plan B<br>awards | NSU<br>awards | CSU<br>Awards | NIU Awards  |
|--|----------------|----------------------|---------------|---------------|-------------|
| Outstanding at 31 March 2021                           | 24,367,900     | 31,720               | 11,900,660    | 2,265,552     | 604,526     |
| Granted  | 14,006,800     | -                    | 7,315,993     | -             | -           |
| Forfeited  | (3,163,400)    | (20)                 | (304,514)     | (512)         | -           |
| Exercised or settled                                   | (8,187,900)    | (20,794)             | (7,933,628)   | (846,284)     | (237,057)   |
| Expired  | -              | (969)                | -             | -             | -           |
| Transfers  | (46,100)       | (40)                 | (126,663)     | -             | -           |
| Outstanding at 31 March 2022                           | 26,977,300     | 9,897                | 10,851,848    | 1,418,756     | 367,469     |
| Weighted average fair value at 31 March 2022           | ¥588.1         | Not Applicable       | ¥578.9        | ¥601.4        | \$9.33      |
| Outstanding liability recognised at 31 March 2022 (\$) | Not Applicable | Not applicable       | (40,975,941)  | (5,144,582)   | (3,299,855) |

SAR Plan B awards were exercised or settled during the year ended 31 March 2022 at a weighted average price of NHI common shares of ¥426.00 (2021: ¥545.00). NSU and CSU awards were exercised or settled during the year ended 31 March 2022 at a weighted average price of NHI common shares of ¥579.00 (2021: ¥454.00) and ¥601.00 (2021: ¥617.00) respectively. NIU awards were settled during the year ended 31 March 2022 at a weighted average index level of \$9.33 (2021: \$0.00).

The weighted average remaining contractual life of all awards outstanding as at 31 March 2022 was 1.00 years (2021: 1.00 years). RSU awards have been the primary type of deferred compensation award in the Nomura Group since 2018. However, existing unvested SAR Plan B, CSU and NIU awards continue to vest in accordance with their original contractual terms.



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **27 CAPITAL COMMITMENTS**

As at 31 March 2022, there is capital commitments of \$0.7m relating to assets in the course of construction. (2021: \$Nil).

#### **28 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under FRS 101 from the requirement in IAS 24 for disclosing related party transactions with other entities included in the consolidated financial statements of NHI. The exposure with fellow Nomura Group undertakings are provided in Note 4, 8, 10, 15 and 16 of the Financial Statement.

#### **29 IBOR DISCLOSURE**

Following the announcement of the cessation of Interest Rate Indices such as LIBOR, the Nomura Group has established a project to manage the transition for any of its contracts that could be affected, which considers the requirements of the Company. The project is sponsored by the Nomura Group's Global Head of Global Markets and is being led by senior representatives from functions across the Nomura Group including Legal, Finance, Operations and Technology.

During 2021, the Company has successfully transitioned most of its CHF, GBP and JPY LIBOR referenced trades to alternative reference rates. It also has the operational ability to support Risk Free Rates such as SARON, SONIA, TONA and SOFR. Through to June 2023, the Company will focus on transitioning USD LIBOR referenced trades through switching legacy trades to SOFR or fallbacks detailed in the ISDA LIBOR protocol or amending the economics of the trade in discussion with its clients.

IBOR reform exposes the Company to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Company and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and alternative reference rates are illiquid and unobservable
- Operational risk arising from changes to the Company's IT systems and processes, and the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Company's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs

# NOMURA INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)

### 29 IBOR DISCLOSURE (continued)

The table below shows the Company's exposure at the period end to significant IBORs subject to reform that have yet to transition to alternative reference rates. These exposures will remain outstanding until the IBOR ceases and will therefore transition in future. The table excludes exposures to IBOR that will expire before transition is required.

|                      | Non Derivative<br>Financial Assets<br>Carrying Value | Non-derivative<br>Financial<br>Liabilities<br>Carrying Value | Effective<br>Derivative<br>Notional |
|----------------------|--|--|-------------------------------------|
|                      | \$'000   | \$'000   | \$'000                              |
| LIBOR USD - 1 month  | -  | -  | 121,659,454                         |
| LIBOR USD - 3 month  | 703,737  | 112,676  | 1,243,637,042                       |
| LIBOR USD - 6 month  | 28,020   | -  | 24,776,935                          |
| LIBOR USD - 12 month | -  | -  | 2,372,726                           |
| LIBOR GBP - 3 month  | -  | -  | 709,728                             |
| LIBOR GBP - 6 month  | -  | -  | 1,148,403                           |
| LIBOR JPY - 6 month  | -  | -  | 14,128,013                          |
| LIBOR SGD - 3 month  | -  | -  | 499,318                             |
| LIBOR SGD - 6 month  | -  | -  | 17,588,154                          |
| LIBOR THB - 6 month  | -  | -  | 29,509,220                          |
|                      | <u>731,757</u>                                       | <u>112,676</u>   | <u>1,456,028,993</u>                |

Derivative notionals are presented on a gross basis.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **30 CONTINGENT LIABILITIES AND COMMITMENTS**

##### **Investigations, disputes and other litigation matters**

The most significant investigations, disputes and other litigation matters currently faced by the Company are summarised below. The Company believes that, based on current information available as of the date of these financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company's financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the statements of income or cash flows in a particular quarter or annual period.

For each of the significant actions and proceedings described below, where possible, the Company has estimated the amount of reasonably possible maximum loss in excess of amounts recognised as a provision (if any) against such matters. These estimates are based on current information available as of the date of these financial statements and include, but are not limited to, the specific amount of damages or claims against Nomura in each matter.

As of 31 March 2022, for those cases where an estimate of the range of reasonably possible losses can be made, the Company estimates that the total aggregate reasonably possible maximum loss in excess of amounts recognised as a provision (if any) against these cases is approximately USD 325 million. For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

The Company will continue to cooperate with regulatory investigations and to vigorously defend its position in the ongoing actions and proceedings set out below, as appropriate.

##### **Italian tax dispute**

In January 2008, the Company was served with a tax notice issued by the tax authorities in Pescara, Italy, alleging breaches by the Company of the UK - Italy Double Taxation Treaty of 1998. The alleged breaches related to payments to the Company of tax credits on dividends on Italian shares. The tax notice not only denied certain payments to which the Company claimed to be entitled but also sought reimbursement of approximately EUR 33.8 million, plus interest, already refunded. In March 2008, the Company lodged an appeal against the tax notice rejecting the Italian tax authorities' demands for reimbursement and advancing the Company's claim for further refunds.

The matter went to a hearing in March 2009 and in November 2009 a decision was issued by the First Instance Pescara Tax Court in favour of the Italian tax authorities. The Company lodged an appeal of this decision, and in March 2012 a second decision was issued by the Second Instance Pescara Tax Court in favour of the Italian tax authorities. As is allowed under Italian tax procedure, in September 2012, the Company received a demand for payment from the Italian tax authorities in the amount of EUR 37.5 million which comprised the original refunded amount, interest and collection fees. Payment of this amount was made in October 2012. A further appeal to the Supreme Court in Rome was filed in July 2013 in order to seek full reimbursement of this amount plus further interest. The Supreme Court heard the appeal on 13 April 2021 and a decision was issued on 13 July 2021 finding against the Company and in favour of the Italian tax authorities.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **30 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

##### **Italian tax dispute (continued)**

Similar claims have been made by the tax authorities against IBJ Nomura Financial Products (UK) PLC ("IBJN") a group company which has been in members' voluntary liquidation since 2000. An Italian Supreme Court judgment in June 2019 confirmed that tax credit refunds of approximately EUR 38 million, plus interest, were payable by IBJN to the Italian tax authorities. The Company continues to assess the position.

##### **Fairfield claims**

The Company is a defendant in two actions seeking recovery of payments allegedly made to the Company by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, the "Fairfield Funds"). The Fairfield Funds, now in liquidation, were feeder funds to Bernard L. Madoff Investment Securities LLC ("BLMIS"). BLMIS is itself now in liquidation in the United States pursuant to the Securities Investor Protection Act. The first claim was brought by the liquidators of the Fairfield Funds. It was filed in October 2010 in the Supreme Court of the State of New York, but was subsequently removed to the United States Bankruptcy Court for the Southern District of New York. The Bankruptcy Court dismissed the claims asserted against the Company and the dismissal of those claims has been appealed to the United States District Court. The claim is one of many similar claims that have been brought against a number of investors. The second claim was brought by the Trustee for the liquidation of BLMIS (the "Madoff Trustee"). The Company was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the United States Bankruptcy Court for the Southern District of New York. Again, this claim is one of many claims being brought against a range of investors. In November 2016, the United States Bankruptcy Court for the Southern District of New York granted a motion to dismiss the Madoff Trustee's claim. The Madoff Trustee successfully appealed that decision to the United States Court of Appeals for the Second Circuit and the Supreme Court of the United States declined a petition seeking further review of that decision. The matter has now been remanded to the Bankruptcy Court for further proceedings. The amount claimed is approximately USD 34 million plus interest. The Company does not believe that it will face the prospect of double recovery of the sums in question.

##### **Harley litigation**

In October 2011, the Madoff Trustee filed an adversary proceeding against the Company in the United States Bankruptcy Court for the Southern District of New York for the recovery of redemption payments allegedly made by Harley International (Cayman) Ltd. (the "Harley Fund") to the Company. The basis of the claim is that the redemptions in question were and continue to be "Customer Property" within the meaning of the Securities Investor Protection Act and are therefore avoidable and recoverable under the United States Bankruptcy Code and New York Debtor and Creditor law. The Harley Fund, now in liquidation, was a feeder fund to BLMIS. The claim is one of many similar claims that have been brought against a number of investors. In November 2016, the United States Bankruptcy Court granted a motion to dismiss the Madoff Trustee's claim. The Madoff Trustee successfully appealed the decision to the United States Court of Appeals for the Second Circuit and the Supreme Court of the United States declined a petition seeking further review of that decision. The matter has been remanded to the Bankruptcy Court for further proceedings. The claim is for approximately USD 24.5 million plus interest.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **30 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

##### **Legal proceedings relating to Banca Monte dei Paschi di Siena SpA "MPS"**

In March 2013, Banca Monte dei Paschi di Siena SpA ("MPS") issued a claim in the Italian Courts against (1) two former directors of MPS and (2) the Company. MPS alleged that the former directors improperly caused MPS to enter into certain structured financial transactions with the Company in 2009 ("Transactions") and that the Company acted fraudulently and was jointly liable for the unlawful conduct of MPS's former directors. MPS claimed damages of not less than EUR 1.142 billion.

In March 2013, the Company commenced a claim against MPS in the English Courts. The claim was for declaratory relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its defence and counterclaim to these proceedings in March 2014. MPS alleged in its counterclaim that the Company was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the transactions.

In September 2015, the Company entered into a settlement agreement with MPS to terminate the Transactions. The Company believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, the Company considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and the Company in Italy and England, respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and the Company applied to the Italian Courts to discontinue the proceedings brought by MPS against the Company. These proceedings have now been discontinued.

In April 2013, an investigation was commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. The investigation was subsequently transferred to the Public Prosecutor of Milan. In April 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation, which was re-served on the Company in January 2016. Under that notice the Public Prosecutor sought to indict, amongst others, MPS, three individuals from MPS's former management, the Company and two Company individuals for the offences of false accounting and market manipulation in relation to MPS's previous accounts for 2009, 2010, 2011, and the interim and quarterly statements for 2012. The Public Prosecutor also sought to indict the two Company individuals, as well as MPS and three individuals from MPS's former management, for the offence of obstructing the supervisory activities of CONSOB. The preliminary hearing at which the Milan criminal court considered whether or not to grant the indictment concluded in October 2016, the Judge ordering the trial of all individuals and banks involved except for MPS (which entered into a plea bargaining agreement with the Public Prosecutor).

The trial (which also involves three other sets of allegations in relation to MPS and its counterparties in other transactions unrelated to the Company) commenced in December 2016. As part of these proceedings, a number of civil claimants have been permitted to bring damages claims against a number of entities and individuals, including the Company.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **30 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

##### **Legal proceedings relating to Banca Monte dei Paschi di Siena SpA "MPS" (continued)**

On 8 November 2019, the court delivered its oral verdict, finding two former employees of the Company guilty of false accounting, market manipulation and obstructing the supervisory activities of CONSOB and that the Company had breached Italian corporate liability legislation. In so doing it imposed a fine of EUR 3.45 million on the Company as well as ordering confiscation of EUR 88 million. On 12 May 2020, the court issued the detailed reasoning for the verdict (including the rationale for the penalties imposed). The Company appealed the decision to the Milan Court of Appeal. On 6 May 2022, the Milan Court of Appeal delivered its oral verdict, overturning the first instance judgment and acquitting the two former employees of the Company of all charges. The court also overturned the first instance judgment in respect of the Company and quashed the EUR 3.45 million fine and EUR 88 million confiscation order imposed on the Company. The detailed reasoning for the verdict is expected to be filed within 90 days, following which the decision may be appealed to the Italian Supreme Court.

In addition, the Company is involved in a number of separate civil or administrative matters relating to the Transactions including those described further below.

In July 2013, a claim was issued against former directors of MPS, and the Company, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim were similar to those on which the MPS claim was founded. The level of damages originally sought by FMPS was not less than EUR 315.2 million. In September 2020, the Company, without admitting any wrongdoing, entered into a settlement agreement with FMPS pursuant to which FMPS waived its claim against the Company. The proceedings have since been discontinued.

In January 2018, a claim before the Italian Courts brought by two Luxembourg investment funds and their management company (collectively referred to as Alken) was served on the Company. The claim was made against the Company, MPS, four MPS former directors and a member of MPS's internal audit board, and sought monetary damages of approximately EUR 434 million on the basis of allegations similar to those made in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge. In July 2021, the court rejected all of Alken's claims. In February 2022, Alken appealed the decision to the Milan Court of Appeal.

In May 2019, a claim before the Italian Courts brought by York Global Finance Offshore BDH (Luxembourg) Sàrl and a number of seemingly related funds was served on the Company. The claim is made against the Company, MPS, two MPS former directors and a member of MPS's internal audit board, and seeks monetary damages of approximately EUR 186.7 million on grounds similar to those in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge.

Additionally, in January 2017, the Company was served by the Commissione Nazionale per le Società e la Borsa ("CONSOB") (the Italian financial regulatory authority) with a notice commencing administrative sanction proceedings for market manipulation in connection with the Transactions. In relation to the Transactions, the notice named MPS, three individuals from MPS's former management and two former employees of the Company as defendants, whereas the Company was named only in its capacity as vicariously liable to pay any fines imposed on its former employees. In May 2018 CONSOB issued its decision in which it levied EUR 100,000 fines in relation to each of the Company's two former employees as well as revocations of the Italian law integrity requirement to perform certain corporate functions of three and six months respectively. The Company was vicariously liable to pay the fines imposed on its former employees, and paid those fines in July 2018. The Company appealed the CONSOB decision to the Milan Court of Appeal and in December 2020, the Court of Appeal annulled the CONSOB decision against NIP. CONSOB has appealed the Court of Appeal's decision to the Italian Supreme Court.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **30 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

##### **Employee litigation**

In March 2016, the Company was served with proceedings by a former employee. The claim was brought in the English High Court and alleged breaches of contract and duty. The amount claimed was not quantified, but on the basis of the pleaded case, was approximately GBP 65 million. The Company filed and served a Defence and Counterclaim to these proceedings in May 2016 and the employee filed a Reply and Defence to Counterclaim in July 2017. The proceedings were stayed by mutual consent from 8 March 2018. On 29 March 2021, the parties agreed to settle the claims, without admitting any wrongdoing. On 13 May 2021, the parties served and filed Notices of Discontinuance, ending the proceedings.

##### **Bond investigations and related class actions**

On 20 May 2021, the Company and Nomura Holdings, Inc. ("NHI") were named as addressees in a decision issued by the European Commission in which the Company, NHI and various other third party banks have been found to have infringed EU competition law in connection with their activity in the primary and secondary markets for European Government Bonds ("EGB"). The European Commission found that the infringement consisted of anticompetitive agreements and/or concerted practices in the EGB sector in breach of EU competition law and fined the Company and NHI approximately EUR 129.6 million. In August 2021, the Company and NHI appealed the decision. The fine has been provisionally paid, as is required, pending the outcome of the Company and NHI's appeal.

##### **Bond investigations and related class actions (continued)**

The Company and Nomura Securities International, Inc. ("NSI") are defendants in a class action filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law in relation to the alleged manipulation of the primary and secondary markets for EGB. Additionally, the Company and NSI are defendants in a separate class action filed in the Toronto Registry Office of the Federal Court of Canada alleging violations of Canadian competition law relating to the alleged manipulation of the market for supranational, sub-sovereign and agency bonds.

##### **German tax**

In August 2017, the Cologne public prosecutor in Germany notified the Company that it is investigating possible tax fraud by individuals who worked for the Nomura Group in relation to the historic planning and execution of trading strategies around dividend record dates in certain German equities (known as "cum/ex" trading) and in relation to filings of tax reclaims in 2007 to 2012. During the year ended 31 March 2020, Nomura Group became aware that certain of those individuals would be the subject of investigative proceedings in Germany. The Company and another entity in the Nomura Group are cooperating with the investigation, including by disclosing to the public prosecutor certain documents and trading data. If the investigation involving Nomura Group entities and former individuals proceeds to trial, the individuals could face criminal sanctions and Nomura Group entities could face administrative sanctions such as administrative fines or profit confiscation orders.

## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **30 CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

##### **Italian derivative litigation**

In June 2020, the Company issued a claim against an Italian counterparty in the courts of England and Wales. The claim sought declarations that the terms of a derivative transaction entered into in 2005 were binding. The counterparty filed and served its defence and counterclaim to these proceedings in January 2021 which sought, amongst other things, restitution of sums paid under the transaction. Separately, in June 2020, the counterparty filed an interim injunction application against the Company in the Tribunal of Palermo relating to payments due by it in relation to the same transaction. This application was dismissed at first instance but the counterparty appealed that decision. In October 2021, the Company, without admitting any wrongdoing, entered into a settlement agreement with the counterparty pursuant to which the proceedings in both jurisdictions were discontinued. At the same time, the derivative transaction was terminated.

##### **Swap trading**

The Company and other Nomura Group entities are responding to requests from governmental authorities in relation to swap trading related to bond issuances, as well as the use of non-Nomura approved messaging platforms for business communications. On 1 February 2021, the U.S. Commodity Futures Trading Commission filed a civil enforcement action against a Nomura employee and charged him with violating the anti-fraud, price manipulation and false statements provisions of the Commodity Exchange Act in relation to a 2015 interest rate swap transaction.

##### **Vestia**

Stichting Vestia, a Dutch housing association and former counterparty, has asserted a claim against the Company relating to derivative transactions entered into between Vestia and the Company between 2009 and 2011. On 1 February 2022, Vestia commenced proceedings against the Company in the English Courts. The proceedings allege that the transactions are void because Vestia lacked the capacity and/or the authority to enter into them. Vestia is seeking restitution of a net amount of approximately EUR 153.5m plus interest in respect of those transactions.

##### **Secured financing enforcement**

In the context of a secured financing and the enforcement of the related pledge agreements following events of default attributable to the counterparty, on 8 February 2022, two former pledgors served a formal notice stating their intention to commence legal proceedings against Nomura European Investment Limited ("NEI") as lender and the Company as security agent. The pledgors allege that there have been certain valuation errors in relation to enforcement of the related pledge agreements and seek compensation from NEI or, alternatively, the Company. To date, no legal proceedings have been issued in respect of the claim.

##### **Commitments**

The Company had commitments as at 31 March 2022 amounting to \$3,121 millions (2021: \$3,449 millions) in respect of undrawn loan facilities. In addition to disclosing fixed price loan commitments, the Company has disclosed certain variable market price commitments to repurchase debt of \$876 millions (2021: \$1,033 millions) in order to provide a more reliable and relevant disclosure of its financial commitments.



## **NOMURA INTERNATIONAL PLC**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2022 (CONTINUED)**

#### **31 POST BALANCE SHEET EVENT**

No significant events occurring after the balance sheet date that would meet the criteria to be disclosed or adjusted in the financial statements for the year ended 31 Mar 2022.

#### **32 ULTIMATE PARENT UNDERTAKING**

The Company's ultimate parent undertaking and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is NHI, incorporated in Japan. Copies of the group financial statements of Nomura Holdings, Inc. may be obtained from 9-1, Nihonbashi 1-Chome, Chuo-ku, Tokyo 103-8645, Japan. The parent that heads the smallest group of undertakings is NEHS, a company registered at 1 Angel Lane, London, EC4R 3AB, United Kingdom.