

# **Nomura Europe Holdings Plc Pillar 3 Disclosures**

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## 1 Background

Nomura Europe Holdings plc (“the Group”) is subject to consolidated supervision by the UK Financial Services Authority (“FSA”). The basis of consolidation for regulatory purposes is completed in accordance with the FSA Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”) section 8 and excludes certain quasi subsidiaries which are included in the accounting consolidation. There is no material impact on the regulatory capital position of the Group from the exclusion of these entities.

The significant legal subsidiaries within the consolidated group are Nomura International plc (“NIP”) and Nomura Bank International plc (“NBI”). Nomura Capital Markets plc (“NCM”) is included in the regulatory consolidation in line with the direction of the FSA. A small number of entities included in the accounting consolidation are excluded from the regulatory consolidation on the basis of their immaterial balance sheet size.

All companies are limited by ordinary shares, and apart from the requirements to hold regulatory capital there are no practical or legal impediments to the prompt transfer of capital between Nomura Europe Holdings and its legal subsidiaries; both Nomura Europe Holdings plc and Nomura Capital Markets plc are 100% owned subsidiaries of Nomura Holdings Inc (“NHI”), the ultimate parent of the Group is in Japan.

The Group is required to publish certain disclosures in accordance with BIPRU section 11. To the extent that disclosures are made in this document, they do not constitute financial statements and should not be relied upon as such in making judgements about the Group.

Separate disclosures have not been made for NBI and NIP due to their inclusion in the Group disclosures.

Disclosure will be made on an annual basis. This document is available either online within the ‘Legal & Disclaimer’ section under the Europe section of the Nomura corporate website: [http://www.nomura.com/europe/about\\_nomura/legalanddisclaimer.shtml](http://www.nomura.com/europe/about_nomura/legalanddisclaimer.shtml) or by application in writing to the Head of Finance at Nomura House, 1 St. Martin’s-le-Grand, London, EC1A 4NP.

## **2 Qualitative Disclosures**

### **2.1 Equivalent Pillar 3 Disclosures**

Certain disclosures made under accounting, listing or other requirements may be deemed to constitute compliance with BIPRU 11.

As an integrated part of NHI, disclosures contained in the Securities and Exchange Commission 20F Filing are relevant to the Group.

Other qualitative disclosures relevant to Pillar 3 are contained in the NIP and NBI financial statements. The Financial Risk Management and Capital Management Policy disclosures contained in these financial statements are applicable to the whole Group.

These documents can be found at the following link:

<http://www.nomuraholdings.com/investor/library/ar/index.html#ar04>.

### **2.2 Additional disclosures required by Pillar 3**

Disclosures required by Pillar 3 which are not included in equivalent disclosures are as follows:

#### **Methodologies**

The Group utilises the standardised approaches for the calculation of capital requirements for credit risk and operational risk.

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.

#### **Non-trading book exposure to equities**

The Group holds a small number of non-trading equity assets. These are held at fair value but designated for accounting purposes as 'available-for-sale' rather than 'held-for-trading' due to the expectation that the Group will hold these for the long term.

They are not considered material to the overall Group and are treated in line with the requirements of GENPRU 2.2.185(2).

#### **Wrong-Way risk**

Wrong-way risk analysis is performed monthly by the Market Risk department and the results are presented at the Risk Management Committee. The analysis aims to identify instances where the counterpart is highly correlated to the underlying, and as a result there is a significant level of potential exposure (on default). The analysis is provided to assist the business and senior management in understanding the key risks which require hedging against key counterparties in order to try and mitigate the potential wrong way risk.

### 3. Quantitative Disclosures

#### Capital Resources

The capital resources for the Group at the last year end were:

|  | <b>31st March 2009</b> |
|--|------------------------|
|  | £'m                    |
| Tier 1 capital                                 | 1,259                  |
| Less: Intangible assets                        | (98)                   |
| Less: Losses on available for sale equities    | (5)                    |
| <b>Total Tier 1 capital</b>                    | <b><u>1,155</u></b>    |
| <b>Tier 2 capital</b>                          | <b>578</b>             |
| <b>Tier 1 &amp; 2 capital after deductions</b> | <b><u>1,733</u></b>    |
| Tier 3 capital                                 | 2,330                  |
| <b>Total capital resources</b>                 | <b><u>4,063</u></b>    |

Tier 1 Capital comprises share capital and reserves. There were no innovative Tier 1 instruments held or expected loss amounts.

Tiers 2 and 3 include subordinated debt provided by another subsidiary of the ultimate parent.

## Capital Requirements

|   | 31st March 2009<br>£'m |
|---|------------------------|
| <b>Market Risk:</b>                         |                        |
| Interest Rate PRR                           | 459                    |
| Equity PRR                                  | 179                    |
| Option PRR                                  | 172                    |
| Collective Investment Scheme PRR            | 110                    |
| Other PRR                                   | 486                    |
| <b>Total Market Risk capital component</b>  | <b>1,406</b>           |
| <b>Concentration Risk capital component</b> | <b>66</b>              |
| <b>Counterparty Risk capital component</b>  | <b>655</b>             |
| <b>Credit Risk capital component</b>        | <b>137</b>             |
| <b>Operational Risk</b>                     | <b>66</b>              |
| <b>Total Capital Requirement</b>            | <b>2,330</b>           |

The total capital requirement refers to the Pillar 1 capital requirement for improved comparison purposes.

## Credit Risk: Exposure Class and Capital Requirement

31st March 2009  
£'m

| <u>Exposure Class</u>                     | <u>Exposure</u> | <u>Capital requirement</u> |
|---|-----------------|----------------------------|
| Central government or central banks       | 254             | 4                          |
| Regional governments or local authorities | 2               | -                          |
| Institutions                              | 2,641           | 53                         |
| Corporates                                | 1,292           | 66                         |
| Other items                               | 241             | 14                         |
| <b>Total</b>                              | <b>4,431</b>    | <b>137</b>                 |

## Counterparty Risk: Exposure Class and Capital Requirement

31st March 2009

£'m

| <u>Exposure Class</u>                     | <u>Gross Exposure</u> | <u>Net Exposure *</u> | <u>Capital requirement</u> |
|---|-----------------------|-----------------------|----------------------------|
| Central government or central banks       | 209                   | 81                    | 6                          |
| Regional governments or local authorities | 786                   | 160                   | 3                          |
| Institutions                              | 68,799                | 14,802                | 398                        |
| Corporates                                | 4,035                 | 3,429                 | 248                        |
| <b>Total</b>                              | <b>73,830</b>         | <b>18,472</b>         | <b>655</b>                 |

\* After CRM and netting agreements

## Counterparty Risk: Geographical Distribution of Net Exposures

31st March 2009

£'m

| <u>Exposure Class</u>                     | <u>EMEA</u>   | <u>US</u>    | <u>Asia</u> | <u>Total</u>  |
|---|---------------|--------------|-------------|---------------|
| Central government or central banks       | 66            | -            | 15          | 81            |
| Regional governments or local authorities | 160           | -            | -           | 160           |
| Institutions                              | 9,101         | 4,969        | 733         | 14,802        |
| Corporates                                | 1,266         | 2,048        | 114         | 3,429         |
| <b>Total</b>                              | <b>10,592</b> | <b>7,017</b> | <b>862</b>  | <b>18,472</b> |

## Counterparty Risk: Credit Quality Step analysis by exposure

31st March 2009

£'m

| <u>Exposure Class</u>                     | <u>Credit quality step</u> |              |            |          |          |          | <u>Unrated</u> | <u>Total</u>  |
|---|----------------------------|--------------|------------|----------|----------|----------|----------------|---------------|
|   | <u>1</u>                   | <u>2</u>     | <u>3</u>   | <u>4</u> | <u>5</u> | <u>6</u> |                |               |
| Central government or central banks       | 13                         | 68           | -          | -        | -        | -        | -              | 81            |
| Regional governments or local authorities | 47                         | 113          | -          | -        | -        | -        | -              | 160           |
| Institutions                              | 6,506                      | 4,128        | 372        | -        | 9        | -        | 3,788          | 14,802        |
| Corporates                                | 8                          | 53           | 177        | -        | -        | -        | 3,191          | 3,429         |
| <b>Total</b>                              | <b>6,574</b>               | <b>4,361</b> | <b>549</b> | <b>-</b> | <b>9</b> | <b>-</b> | <b>6,979</b>   | <b>18,472</b> |