

Nomura International plc

Base Listing Document relating to Hong Kong Listed Structured Products to be issued by

Nomura International plc

(the Issuer)

(incorporated with limited liability in England)

unconditionally and irrevocably guaranteed by

Nomura Bank International plc

(the Guarantor)

(incorporated with limited liability in England)

Nomura International plc (**Issuer**) has published this document in respect of call warrants on single equities (**single equities call warrants**), put warrants on single equities (**single equities put warrants**), equity basket call warrants (**basket call warrants**), equity basket put warrants (**basket put warrants**), call warrants on a single index (**index call warrants**), put warrants on a single index (**index put warrants**), and, together with the single equities call warrants, single equities put warrants, the basket call warrants, the basket put warrants, the index call warrants, the **warrants**), callable contracts on single equities (**equity callable contracts**) and callable contracts on indices (**index callable contracts**), and, together with the equity callable contracts, the **CBBCs**) and any other structured products approved by The Stock Exchange of Hong Kong Limited (**stock exchange**) from time to time (such other structured products, together with the warrants and the CBBCs, being referred to as the **structured products**) to be issued by the Issuer in series (each a **series**) from time to time and unconditionally and irrevocably guaranteed by Nomura Bank International plc (**Guarantor**) and listed on the stock exchange.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited (**HKSCC**) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **rules**) for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of the Issuer and the Guarantor there are no other facts the omission of which would make any statement in this document misleading. Additional terms relating to each series of structured products will be set out in a supplemental listing document (each a **supplemental listing document**) which will be supplemental to, and should be read in conjunction with, this document.

The structured products involve derivatives. Investors should not invest in the structured products unless they fully understand and are willing to assume the risks associated with them.

Investors are warned that the price of the structured products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the structured products and carefully study the risk factors set out in this base listing document and the relevant supplemental listing document and, where necessary, seek professional advice, before they invest in the structured products.

The structured products constitute general unsecured contractual obligations of the Issuer and the Guarantor and of no other person and if you purchase the structured products you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the structured products against, as applicable, the underlying, any company which has issued the underlying or any company which sponsors the underlying or whose securities are comprised in the underlying.

Dated 15 December 2009

IMPORTANT

If you are in any doubt as to any of the contents of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

This base listing document may be updated from time to time, in which case the Issuer will publish an addendum.

You should read this document, together with any addendum to it and the relevant supplemental listing document, before deciding whether to invest in the structured products.

The Issuer and the Guarantor cannot give you investment advice. You must decide for yourself whether the structured products meet your investment needs, and take professional advice if appropriate. This document is not intended to be, and should not be considered as, a recommendation or advice by the Issuer and the Guarantor or any of their affiliates that you should purchase any of the structured products, and you must make your own independent investigation of the financial condition and affairs of the Issuer and the Guarantor and your own appraisal of their creditworthiness.

The Issuer and the Guarantor undertake during the period in which the structured products are listed on the stock exchange to make available to you for inspection at the office of Computershare Hong Kong Investor Services Limited, which is presently at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong:

- (a) a copy of this document and any addendum that the Issuer publishes to this document (both the English version and the Chinese translation);
- (b) a copy of the applicable supplemental listing document in respect of any issue of structured products (both the English version and the Chinese translation);
- (c) a copy of the latest publicly available annual report and interim report or quarterly financial statements (if any) of each of the Issuer and the Guarantor; and
- (d) copies of the consent letters of the auditors of the Issuer and the Guarantor referred to in this document.

發行人及擔保人已承諾，於任何結構性產品在聯交所上市的期間，可在香港中央證券登記有限公司辦事處（地址為香港皇后大道東183號合和中心17樓1712-1716室）查閱下列文件：

- (a) 本基礎上市文件及發行人任何增編（英文版本及中文譯本）；
- (b) 結構性產品的適用補充上市文件（英文版本及中文譯本）；
- (c) 發行人及擔保人最近期公開的年報及中期報告或季度財務報表（如有）；及
- (d) 基礎上市文件所述發行人及擔保人各自的核數師的同意書。

The structured products are not available to, or for the benefit of, U.S. persons (as defined in the U.S. Securities Act of 1933, as amended) (the **Securities Act**).

All references in this document to “**Hong Kong dollars**” and to “**HK\$**” are to the lawful currency of Hong Kong, to “**U.S. Dollars**” and “**U.S.\$**” are to the lawful currency of the United States of America, to “**EUR**” or “**euros**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended and to “**GBP**”, “**Sterling**” or “**£**” are to the lawful currency of the United Kingdom. All references in this document to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People's Republic of China.

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OVERVIEW OF THE PROGRAMME

The Issuer has set up this programme for the purpose of offering from time to time to the public in Hong Kong structured products listed on the stock exchange. The following is an overview of the main features of the programme.

- Who issues the structured products?** Nomura International plc is the **Issuer** of the structured products.
- Will the structured products be guaranteed?** Yes. Nomura Bank International plc is the **Guarantor** of the structured products.
- What types of structured products may be issued under the programme?** The Issuer may issue warrants and CBBCs as described below. The Issuer may also issue from time to time under the programme other structured products approved by the stock exchange.
- What types of warrants may be issued under the programme?** The **warrants** which the Issuer may issue under the programme are:
- (a) call warrants on single equities (**single equities call warrants**);
 - (b) put warrants on single equities (**single equities put warrants**);
 - (c) call warrants on a basket of equities (**basket call warrants**);
 - (d) put warrants on a basket of equities (**basket put warrants**);
 - (e) call warrants on a single index (**index call warrants**); and
 - (f) put warrants on a single index (**index put warrants**).
- What types of CBBCs may be issued under the programme?** The callable bull bear contracts (the **CBBCs**) which the Issuer may issue under the programme are:
- (a) callable contracts on single equities (**equity callable contracts**); and
 - (b) callable contracts on a single index (**index callable contracts**).
- How are the structured products issued?** The structured products will be issued in one or more **series**. Structured products within a series will have the same terms, but the terms of one series of structured products may be different from another.

What is the legal status of the structured products?

The structured products represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer.

The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

Will the structured products be listed?

Yes. The Issuer will apply to the stock exchange to list each series of structured products which the Issuer issues under the programme. This base listing document has been published for the purposes of obtaining a listing of each series of structured products which the Issuer issues under the programme.

Will the structured products be admitted to CCASS?

Yes. The Issuer will make arrangements to ensure that each series of structured products will be accepted by the Hong Kong Securities Clearing Company Limited (**HKSCC**) as eligible securities for deposit, clearance and settlement in the Central Clearing and Settlement System (**CCASS**). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time (the **CCASS Rules**).

What are the listing documents for the structured products?

The Issuer has published this base listing document to permit the listing of the structured products on the stock exchange. This base listing document sets out the terms and conditions of the structured products, common features of the structured products, the legal terms relating to the programme and information about the Issuer and the Guarantor. This base listing document includes particulars given in compliance with the rules for the purpose of giving information with regard to the Issuer, the Guarantor and the structured products.

When the Issuer applies to list one or more series of structured products, the Issuer will publish a **supplemental listing document**, which will include information on the particular structured products to be listed. The supplemental listing document will be available in an English and Chinese versions (which may be printed together in the same document).

What will a supplemental listing document specify?

The supplemental listing document will, amongst other things, summarise the terms of the series of structured products being offered, which will include the following:

Type of structured product

The supplemental listing document will specify the type of the series of structured products offered.

Exercise

The supplemental listing document will specify the date (or dates) on which the structured products may be exercised. If a structured product is expressed to be **European style**, it may be exercised only upon the specified expiry date. If a structured product is expressed to be **American style**, it may be exercised at any time during a specified period.

Settlement Basis

The structured product is **cash settled**, the holder will be entitled to a cash payment upon exercise of the structured product (assuming that the cash payment is greater than zero).

Issue price

The supplemental listing document will specify the issue price of the structured product.

Underlying

The supplemental listing document will specify the **underlying** for the structured product, which may be a share, a basket of shares or an index.

Expiry Date

The supplemental listing document will specify the expiry date for the series of structured products offered.

Liquidity Provider

The supplemental listing document will specify the name and contact details of the liquidity provider for the series of structured products offered, and the basis on which the liquidity provider will provide liquidity in the relevant structured products.

How will the structured products be represented?

The structured products of each series will be represented by a global certificate which will be registered in the name of HKSCC Nominees Limited (or such other nominee company as HKSCC may specify from time to time) and will be deposited with CCASS in accordance with the CCASS Rules.

Will you get any individual certificate representing an investment in a series of structured products?

No, you will not receive any individual certificates.

In the Terms and Conditions for the structured products, there are references to “holders”. Who are they?

The registrar will maintain a register showing the details of each person who is entitled to a particular number of structured products of a series. The person registered will be treated by the Issuer, the Guarantor and the registrar as the absolute owner and **holder** of that number of structured products.

The register for each series of structured products will record at all times that HKSCC Nominees Limited (or such other nominee company as HKSCC may specify for that series) is the holder of 100 per cent. of the structured products of that series.

Accordingly you will not be recognised by the Issuer, the Guarantor or the registrar as the holder of the structured products in which you invest, and you must refer to the records of CCASS and/or your brokers/custodians, and the statements that you receive, to determine your beneficial interest in the structured products.

How does the Issuer give notices and make payments and deliveries under the structured products?

The Issuer will give any necessary notices, and make all payments and deliveries that are due, under the structured products to the registered holder of the structured products, which will be HKSCC Nominees Limited (or such other nominee company as HKSCC may specify for that series). In this situation, the notices will then be given to you or your broker/custodian, and the payments and deliveries to which you are entitled will be made to you or to your broker/custodian, through CCASS in accordance with the CCASS Rules.

Can the Issuer or the Guarantor repurchase the structured products?

Yes, the Issuer or the Guarantor or their affiliates may repurchase the structured products at any time, including in the grey market. The Issuer or the Guarantor or their affiliates may offer for sale any structured products which the Issuer or the Guarantor or their affiliates repurchase, and may do so at prevailing market prices or in negotiated transactions at the discretion of the Issuer or the Guarantor. You should not therefore make any assumptions as to the number of the structured products of any series which may be in issue from time to time.

RISK FACTORS

The following summary does not necessarily set out all the risks related to the structured products and you should not rely on it without reference to the relevant conditions of this document. If you have any concerns or doubts about the structured products, you should obtain independent professional advice.

General Risk Factors relating to the Issuer, the Guarantor and the Structured Products

(1) Creditworthiness of the Issuer and the Guarantor

You should note that the structured products are not rated. If you purchase the structured products, you rely on the creditworthiness of the Issuer and the Guarantor and you have no rights under the structured products against any company which has issued the shares (in respect of equity-linked structured products) or any company constituting the index or the index compiler (in respect of index-linked structured products). When evaluating the creditworthiness of the Issuer and the Guarantor, you should not solely rely on the credit ratings of the Issuer and the Guarantor (which are set out in the section headed "General Information" on page 134 of this base listing document and the section headed "Further information" of the relevant supplemental listing document) because:

- a credit rating is not a recommendation to buy; sell or hold the structured products;
- ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence; and
- a high credit rating is not necessarily indicative of low risk.

The credit ratings of the Issuer and the Guarantor as set out in the relevant announcement and supplemental listing document are for reference only. Any downgrading of the ratings of the Issuer and the Guarantor could result in a reduction in the value of the structured products. You should note that rating agencies received a fee from the Issuer and the Guarantor.

(2) The price of the structured products may fluctuate to a great extent

The price of the structured products may fall or rise rapidly in value and the structured products may expire or become worthless, resulting in a total loss of your investment. Before selling or exercising any rights under the structured products, you should carefully consider, among other things, (i) the trading price of the structured products; (ii) the value and volatility of the underlying as specified in the applicable supplemental listing document; (iii) the time remaining to expiration; (iv) any change(s) in interim interest rates and dividend yields; (v) any change(s) in currency exchange rates; (vi) the depth of the market or liquidity of the underlying as specified in the applicable supplemental listing document; (vii) any related transaction costs; and (viii) the creditworthiness of the Issuer and the Guarantor .

(3) The secondary market for the structured products may be limited

The Issuer intend to apply to list each series of structured products on the stock exchange. If a series of structured products is listed on the stock exchange, there can be no assurance that any such listing can be maintained. In the event that such listing cannot be maintained, the Issuer will use the best efforts to list such structured products on another exchange. The Issuer or the Guarantor (acting through the appointed liquidity provider) may be the only person quoting prices on the stock exchange for the structured products. Therefore, the secondary market may be limited.

- (4) **The structured products constitute unsecured and unsubordinated contractual obligations of the Issuer and the Guarantor**

The structured products constitute the direct, general, unsecured and unsubordinated contractual obligations of the Issuer and the Guarantor and of no other person and shall rank equally (*pari passu*) with the other existing and future unsecured, unsubordinated contractual obligations of the Issuer and the Guarantor (save for certain obligations required to be preferred by law). The Issuer and the Guarantor issue a large number of financial instruments on a global basis. The Issuer and the Guarantor have substantially no obligation to you other than to pay amounts and/or deliver securities in accordance with the terms set out in the applicable supplemental listing document. Whilst the Guarantor guarantees the obligation of the Issuer under each structured product, neither the Issuer nor the Guarantor in any respect underwrites or guarantees the performance of any structured product. The Issuer and the Guarantor shall have the absolute discretion to put in place any hedging transaction or arrangement appropriate in connection with any structured product or the applicable underlying.

- (5) **Trading in the structured products may be affected by suspension of trading in the underlying**

If trading in the underlying is suspended on the stock exchange, trading in the structured products may be suspended for a similar period.

- (6) **There is a time lag between exercise of the structured products and payment or delivery to you.**

Any delay between exercise of the structured products and payment or delivery to you will be specified in the applicable supplemental listing document or in the conditions. The Issuer and the Guarantor will not compensate you for any loss you suffer as a result of any time lag.

- (7) **The value of the underlying may fluctuate**

An investment in the structured products involves risks relating to changes in the value of the underlying. The value of the underlying will vary over time, including as a result of corporate actions (where the underlying is a share or basket of shares) or changes in computation (where the underlying is an index). Certain of such events which affect the value of the underlying may require an adjustment to the structured products. However, even if such event does not require an adjustment to the structured products, the price of the structured products or the return on an investment in the structured products may be affected.

- (8) **Investments in the structured products are not the same as investments in the underlying**

The value of the structured products may not correlate directly with the movements of the underlying and may be affected by the time remaining to expiry. Also, where the underlying is a share or basket of shares, as holder of the structured products, you will not have the same rights (including voting rights and rights to dividends) as if you were a direct holder of the underlying.

- (9) **There could be conflicts of interests which may affect the structured products**

Various potential and actual conflicts of interest may arise from the overall activities or activities of the Issuer, the Guarantor or their group companies, subsidiaries and affiliates. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. In their ordinary course of business, the Issuer, the Guarantor or their group companies, subsidiaries and affiliates may effect transactions on the accounts of the Issuer or the Guarantor, or the accounts of the customers of the Issuer or the Guarantor, and hold positions in the underlying shares.

(10) The structured products are issued in global registered form

The structured products are issued in global registered form, in which case HKSCC Nominees Limited will be the only legal owner of the structured products. You are not entitled to any definitive certificates representing your beneficial interests in the structured products. You will have to rely on CCASS and/or your brokers/custodians to (a) determine your beneficial interest in the structured products, (b) receive announcements and/or information relating to the structured products and (c) receive payments under the structured products. The Issuer's obligation to you will be duly performed by the delivery of the cash settlement amount or the settlement amount in accordance with the conditions to HKSCC Nominees Limited as the registered holder of the structured products. The amounts and/or securities will be delivered to you or your broker/custodian through CCASS participants in accordance with the general rules of CCASS and the CCASS operational procedures in effect from time to time.

(11) There may be an exchange rate risk

You should note that there may be an exchange rate risk in the case of structured products where the cash settlement amount is converted from a foreign currency into Hong Kong dollars.

(12) There may be certain events relating to an index underlying that affect index linked structured products

In the case of index-linked structured products, a level for the index may be published by the index complier (as defined in the relevant conditions) at a time when one or more shares comprised in the relevant index are not trading. If this occurs on a valuation date (as defined in the relevant conditions) and there is no market disruption event (as defined in the relevant conditions) under the terms of the relevant index-linked structured products, then the closing

level of the index will be calculated by reference to the remaining shares comprised in the relevant index. Certain events relating to the index permit the Issuer to determine the level of the index on the basis of the formula or method last in effect prior to such change to formula.

(13) Two or more risk factors may simultaneously affect the structured products

Two or more risk factors may simultaneously have an effect on the value of a structured product such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a structured product.

(14) Hedging activities may affect the value of the structured products

The Issuer and the Guarantor may enter into hedging transactions in the market in order to enable them to meet their obligations under the structured products. Alternatively any of the Issuer's and the Guarantor's group companies, subsidiaries or affiliates may enter into hedging transactions in the market in order to enable them to meet their obligations under the hedging arrangements between them and such group companies. These hedging transactions would typically involve contracts for the purchase and/or sale of the underlying (or, if the underlying is an index, constituent securities of such index), futures or option contracts over the relevant underlying, the establishment of long or short positions (or both) in the underlying, or some or all of the above. These transactions may be constantly adjusted. The unwinding or adjustment of those positions could itself affect the prices or levels of the underlying (or, if the underlying is an index, constituent securities of such index), particularly if there is otherwise low trading volume in the underlying (or, if the underlying is an index, its constituent securities) at that time. It is possible that this activity could cause the

price or level of an underlying to fall, resulting in a lower return or a loss for you on your investment in the structured products.

(15) Impact of a market disruption event on a valuation date

If the Issuer determines that a market disruption event relating to any of the structured products has occurred or exists on a valuation date in relation to such structured product, any consequential postponement of the valuation date or any alternative valuation may have an adverse effect on the value of such structured product.

(16) Risks in using the structured products for hedging

If you intend to purchase the structured products to hedge against the market risks associated with investing in or having an exposure to any underlying, you should recognise the risks of utilising the structured products in this manner. There is no assurance that the value of the structured products will correlate with movements of the relevant underlying. You may therefore incur substantial losses by investing in the structured products for such purpose, notwithstanding any other losses already incurred with respect to your investments in or exposure to the relevant underlying.

(17) The trading price of the structured products may not be the same as their exercise value

The exercise value of the structured products at any time is typically expected to be less than their trading price. "Exercise value" means the cash settlement amount. The difference between the trading price and the exercise value will reflect, among other things, a "time value" for the structured products. The "time value" of the structured products will depend, amongst other factors, partly upon the length of the period remaining to expiration, and expectations concerning the value of the underlying.

(18) Neither the issuer nor the guarantor is the holding company of the group to which they belong

The guarantor is neither the immediate holding company nor the ultimate holding company of the issuer. In addition, neither the issuer nor the guarantor is the ultimate holding company of the group to which they belong and with which their name is identified. The ultimate holding company of the group to which they belong is Nomura Holdings, Inc.

(19) Risks relating to the Banking Act 2009

Under the Banking Act 2009 (the **Banking Act**), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the **FSA** and, together with HM Treasury and the Bank of England, the **Authorities**) as part of a special resolution regime (the **SRR**). These powers enable the Authorities to deal with a UK bank, building society or other UK institution with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (**FSMA**) (each a **relevant entity**) in circumstances in which the Authorities consider its failure has become highly likely and a threat is posed to the public interest. The SRR consists of three stabilisation options and two insolvency and administration procedures applicable to UK banks which may be commenced by the Authorities. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a bridge bank established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity or its UK-incorporated holding company. In each case, the Authorities have been granted wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be

used effectively. The following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

The SRR may be triggered prior to insolvency of the Guarantor

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may only be exercised if (a) the FSA is satisfied that a relevant entity (such as the Guarantor) is failing, or is likely to fail, to satisfy the threshold conditions within the meaning of section 41 of the FSMA (which are the conditions that a relevant entity must satisfy in order to retain its authorisation to accept deposits), (b) following consultation with the other Authorities, the FSA determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions, and (c) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial systems, public confidence in the UK banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

The terms of the Guarantee may be modified without the consent of the holders of the structured products

If the Guarantor were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of the Guarantor. Exercise of these powers could involve taking various actions in relation to the

Guarantee without the consent of the holders of the structured products, including (among other things) modifying or disapplying the terms of the Guarantee.

There can be no assurance that the taking of any such actions would not adversely affect the rights of holders of the structured products, the price or value of their investment in the structured products and/or the ability of the Guarantor to satisfy its obligations under the Guarantee. In such circumstances, holders of the structured products may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that holders of the structured products would thereby recover compensation promptly or equal to any loss actually incurred.

A partial transfer of the Guarantor's business may result in a deterioration of its creditworthiness

If the Guarantor were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with the Guarantor (which may include the Guarantee) may result in a deterioration in the creditworthiness of the Guarantor and, as a result, increase the risk that it may be unable to meet its obligations in respect of the Guarantee and/or eventually become subject to administration or insolvency proceedings pursuant to the Banking Act. In such circumstances, holders of the structured products may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that holders of the structured products would thereby recover compensation promptly or equal to any loss actually incurred.

As at the date of this base listing document, the Authorities have not made an instrument or order under the Banking Act in respect of the Guarantor and there

has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that holders of the structured products will not be adversely affected by any such order or instrument if made.

Risk Factors relating to CBBCs

(20) The CBBCs could automatically expire worthless in certain circumstances

In the case of CBBCs, you should note that you can lose your entire investment on or prior to the expiry date. If a mandatory call event (as defined in the relevant conditions) occurs, the CBBCs will automatically expire. The Category N CBBCs (as defined in the relevant conditions) will automatically become worthless upon the occurrence of a mandatory call event. The Category R CBBCs (as defined in the relevant conditions) may also become worthless.

(21) The trading price of a CBBC may not be the same as the theoretical value of such CBBC

A CBBC can be terminated when the price or level of the underlying reaches or goes beyond the call price or call level. When the price or level of the underlying approaches the call price or call level (as defined in the relevant conditions), the trading price and theoretical value of the CBBC will likely be more volatile. This is because it is more likely that a mandatory call event will occur.

Once a mandatory call event has occurred in respect of a CBBC, the CBBC will be settled at the mandatory call payoff (as defined in the relevant conditions), and you will not be able to benefit under that CBBC from any changes to the price or level of the underlying after the mandatory call payoff is determined.

Further, when you sell your CBBC holdings in the market at any time prior to the expiry of such CBBC, the price realised may not be the same as the theoretical value of the CBBC, as the price will be determined by the levels of supply and demand in the market at that time.

(22) Additional risk factors relating to CBBCs

You should note that when a mandatory call event occurs in the pre-opening session or the closing auction session (as the case may be) of the stock exchange, all trades in the CBBCs concluded via auction during the order matching period will be cancelled, and all manual trades concluded after the determination of the final indicative equilibrium price will not be recognised. If the mandatory call event occurs in the continuous trading session, all trades concluded via auto-matching or manually after the mandatory call event (**post MCE trades**) will be cancelled. Announcements relating to a mandatory call event may also be delayed due to technical errors or system failures.

The stock exchange or the Issuer or the Guarantor (or any of their group companies, subsidiaries or affiliates) shall not be liable for any loss or damage suffered by you arising from or in connection with any mandatory call event, the suspension of trading or the non-recognition of post MCE trades.

TERMS AND CONDITIONS OF THE SINGLE EQUITIES CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Nomura International plc (the “Issuer”), a deed of guarantee (the “Guarantee”) dated 15 December 2009 and made by Nomura Bank International plc (the “Guarantor”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) Warrant Rights

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (each as defined below), if any.

(b) Exercise Expenses

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) (A) in the case of Warrants exercised prior to the Expiry Date, the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (B) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (ii) the Exercise Price (subject to adjustment as provided in Condition 6) less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; and/or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning

signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.

(b) Automatic Exercise

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) Expiry

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) Exercise of Warrants

The Warrants are exercisable only on the Expiry Date.

(b) Automatic Exercise

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) Expiry

Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrant shall cease.

4. Exercise of Warrants

(A) American Style Warrants

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) Delivery of an Exercise Notice

(i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

(ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) Exercise Notice

The Exercise Notice shall:

(i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;

(ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and

(iii) specify the relevant account to which the Cash Settlement Amount should be sent.

(d) Consequences of delivery of an Exercise Notice

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warranholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) Cancellation

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) Cash Settlement

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warranholder (or such other person as the Warranholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount, shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date, as the case may be, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warranholder for any interest in respect of the amount due or any loss or damage that such Warranholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the "Last Valuation Date") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) No requirement to deliver an exercise notice

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in

respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the "Last Valuation Date") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "Rights Offer"), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

E: Existing Entitlement immediately prior to the Rights Offer

- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a

Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment to the Exercise Price shall take effect on the same day that the Entitlement is adjusted.

(d) Merger or Consolidation

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) Other Adjustments

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Warrants which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Warrants and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

(f) Notice of Adjustments

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantheolders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantheolder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrant so purchased may be held or resold or surrendered for cancellation.

9. Global Certificate

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrants issued or transferred to them.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantheolders shall be decided by poll.

Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders. Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under the laws of its jurisdiction of incorporation in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

16. **Language**

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

TERMS AND CONDITIONS OF THE SINGLE EQUITIES PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of an global certificate by way of deed poll (the "Global Certificate") dated the Issue Date, made by Nomura International plc (the "Issuer"), a deed of guarantee (the "Guarantee") dated 15 December 2009 and made by Nomura Bank International plc (the "Guarantor") and a base registrar's and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the "Registrar's Agreement") dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar's Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the "Registrar" and "Agent", which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar's Agreement are available for inspection at the specified office of the Registrar (the "Transfer Office"). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar's Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression "Warrantholder" shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) Warrant Rights

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (each as defined below), if any.

(b) Exercise Expenses

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Exercise Price (subject to adjustment as provided in Condition 6) less (ii) (A) in the case of Warrants exercised prior to the Expiry Date, the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (B) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) the Shares; and/or (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning

signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date, as the case may be.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.

(b) Automatic Exercise

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) Expiry

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) Exercise of Warrants

The Warrants are exercisable only on the Expiry Date.

(b) Automatic Exercise

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) Expiry

Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) Delivery of an Exercise Notice

- (i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.
- (ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) Exercise Notice

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
- (ii) be accompanied by the Global Certificate(s) in the name(s) of the exercising Warrantholder(s); and
- (iii) specify the relevant account to which the Cash Settlement Amount should be sent.

(d) Consequences of delivery of an Exercise Notice

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warranholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) Cancellation

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) Cash Settlement

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warranholder (or such other person as the Warranholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount, shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date, as the case may be, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warranholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warranholder for any interest in respect of the amount due or any loss or damage that such Warranholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) No requirement to deliver an exercise notice

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account. If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing prices of one Share.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) Share Splits or Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(d) Merger or Consolidation

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) Other Adjustments

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Warrants which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Warrants and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

(f) Notice of Adjustments

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantheolders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantheolder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrant so purchased may be held or resold or surrendered for cancellation.

9. Global Certificates

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrant issued or transferred to them.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantheolders shall be decided by poll.

Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warranholders. Resolutions can be passed in writing without a meeting of the Warranholders being held if passed unanimously.

(b) **Modification**

The Issuer may, without the consent of the Warranholders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warranholders or (ii) any modification of the provisions of the Warrants or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warranholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warranholder or to which a Warranholder is entitled or which the Issuer shall have agreed to deliver to a Warranholder may be delivered by hand or sent by post addressed to the Warranholder (otherwise than, in the case of Warrants which are expressed to be American Style, in accordance with an Exercise Notice) to the Warranholder's address (or, in the case of joint Warranholders, to the address of the first named Warranholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warranholder.
- (b) All notices to Warranholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warranholders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under the laws of its jurisdiction of incorporation in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warranholders, to create and issue further warrants so as to form a single series with the Warrants.

14. **Delisting**

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 11 as soon as practicable after they are determined.

15. **Governing Law**

The Warrants, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

16. **Language**

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

TERMS AND CONDITIONS OF THE BASKET CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Nomura International plc (the “Issuer”), a deed of guarantee (the “Guarantee”) dated 15 December 2009 and made by Nomura Bank International plc (the “Guarantor”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement. References in these Conditions to “Company” shall be a reference to a company comprising one of the Companies and references to “Shares” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) Warrant Rights

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.

(b) Exercise Expenses

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by (i) in the case of Warrants exercised prior to the Expiry Date, the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (ii) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date less (2) the Exercise Price (subject to adjustment as provided in Condition 6) less the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) any of the Shares; and/or (b) any options

or futures contracts relating to any of the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.

(b) Automatic Exercise

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) Expiry

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) Exercise of Warrants

The Warrants are exercisable only on the Expiry Date.

(b) Automatic Exercise

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) Expiry

Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) Delivery of an Exercise Notice

(i) In order to exercise Warrants, the Warranholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

(ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) Exercise Notice

The Exercise Notice shall:

(i) specify the name(s) of the Warranholder(s) and the number of Warrants being exercised;

(ii) be accompanied by the Global Certificate(s) in the name(s) of the exercising Warranholder(s); and

(iii) specify the relevant account to which the Cash Settlement Amount should be sent.

(d) Consequences of delivery of an Exercise Notice

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) Cancellation

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise, or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) Cash Settlement

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date, as the case may be, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) No requirement to deliver an exercise notice

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account. If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of the Shares for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantheolders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantheolders.

6. Adjustments

(a) Rights Issues

If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer

- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) Bonus Issues

If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue} = (1 + N) \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) Share Splits or Consolidations

If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "Subdivision") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "Consolidation"), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component, insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(d) Merger or Consolidation

If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "Restructuring Event") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("Substituted Securities") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) Other Adjustments

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Warrants which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Warrants and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making

any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

(f) Notice of Adjustments

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantheolders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantheolder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrant so purchased may be held or resold or surrendered for cancellation.

9. Global Certificates

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrant issued or transferred to them.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantheolders shall be decided by poll.

Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders. Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under the laws of its jurisdiction of incorporation in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of any of the Companies, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

16. **Language**

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

TERMS AND CONDITIONS OF THE BASKET PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 13) relating to a basket comprising Shares of each of the Companies are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Nomura International plc (the “Issuer”), a deed of guarantee (the “Guarantee”) dated 15 December 2009 and made by Nomura Bank International plc (the “Guarantor”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate, the Guarantee and the Registrar’s Agreement. References in these Conditions to “Company” shall be a reference to a company comprising one of the Companies and references to “Shares” shall be a reference to the shares of the Companies or, as the context requires, to the shares of a particular Company.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) Warrant Rights

Every Exercise Amount gives each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, the right to receive the payment of the Cash Settlement Amount (as defined below), if any.

(b) Exercise Expenses

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in Hong Kong dollars calculated by the Issuer as equal to (1) the Exercise Price less (2) the sum of each Basket Component of the Companies that comprise the basket (subject to adjustment as provided in Condition 6) multiplied by (i) in the case of Warrants exercised prior to the Expiry Date, the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date; or (ii) in the case of Warrants exercised on the Expiry Date, the arithmetic mean of the closing price of the relevant Share to which each Basket Component relates (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date and the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (a) any of the Shares; and/or (b) any options or futures contracts relating to any of the Shares if, in any such case, that suspension or

limitation is, in the determination of the Issuer, material; or (2) the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or (3) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Stock Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the aforesaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Warrants, and subject as provided below in relation to a Market Disruption Event, (1) in the case of Warrants exercised prior to the Expiry Date, the Exercise Date; or (2) in the case of Warrants exercised on the Expiry Date, each of the five Business Days immediately preceding the Expiry Date.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.

(b) Automatic Exercise

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) in accordance with Condition 4(A)(f).

(c) Expiry

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) Exercise of Warrants

The Warrants are exercisable only on the Expiry Date.

(b) Automatic Exercise

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warranholders). The Warranholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warranholders the Cash Settlement Amount (if any) in accordance with Condition 4(B)(d).

(c) Expiry

Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warranholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) Delivery of an Exercise Notice

(i) In order to exercise Warrants, the Warranholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

(ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) Exercise Notice

The Exercise Notice shall:

(i) specify the name(s) of the Warranholder(s) and the number of Warrants being exercised;

(ii) be accompanied by the Global Certificate(s) in the name(s) of the exercising Warranholder(s); and

(iii) specify the relevant account to which the Cash Settlement Amount should be sent.

(d) Consequences of delivery of an Exercise Notice

Delivery of an Exercise Notice in accordance with Condition 4 shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) Cancellation

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise, or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) Cash Settlement

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Exercise Date or the Expiry Date, as the case may be, (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account .

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

In the case of Warrants exercised prior to the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event unless (1) the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling after the Expiry Date or (2) there is a Market Disruption Event on each of the five Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date. In the case of (1) (i) the Expiry Date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Valuation Date but for the Market Disruption Event; and in the case of (2) (i) that fifth Business Day (or, if earlier, the Expiry Date) shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event on that fifth Business Day (or Expiry Date if applicable).

In the case of Warrants exercised on the Expiry Date:

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day on which there was no Market Disruption Event. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of one Share for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) No requirement to deliver an exercise notice

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Expiry Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in

respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day on which there was no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a day that already is or is deemed to be a Valuation Date, provided that if the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date then (i) the Business Day immediately preceding the Expiry Date (the “Last Valuation Date”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of such price that would have prevailed on the Last Valuation Date but for the Market Disruption Event. For the avoidance of doubt, in the event that a Valuation Date is postponed due to the occurrence of a Market Disruption Event, the closing price of the Shares for such postponed Valuation Date will be the closing price of the Shares on the first succeeding Business Day. Accordingly, the closing price of a Valuation Date may be used more than once in calculating the arithmetic mean of the closing price of the Shares for the determination of the Cash Settlement Amount, so that in no event shall there be less than five closing prices to determine the arithmetic mean of the closing price of one Share.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments

(a) Rights Issues

If and whenever any of the Companies shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Basket Component that relates to the Share(s) of the Company making the Rights Offer will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\begin{array}{l} \text{Adjusted Basket Component insofar as it} \\ \text{relates to the Share(s) of the Company} \\ \text{making the Rights Offer} \end{array} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Rights Offer immediately prior to the Rights Offer

- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) Bonus Issues

If and whenever any of the Companies shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the relevant Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “Bonus Issue”) the Basket Component that relates to the Share(s) of the Company making the Bonus Issue will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue} = (1 + N) \times E$$

Where:

- E: Existing Basket Component insofar as it relates to the Share(s) of the Company making the Bonus Issue immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Basket Component being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) Share Splits or Consolidations

If and whenever any of the Companies shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “Subdivision”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “Consolidation”), the Basket Component, insofar as it relates to the Share(s) of the Company making the Subdivision, in effect immediately prior thereto will be increased or the Basket Component insofar as it relates to the Share(s) of the Company making the Consolidation, in effect immediately prior thereto decreased in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(d) Merger or Consolidation

If it is announced that any of the Companies is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where that Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “Restructuring Event”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“Substituted Securities”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) Other Adjustments

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Warrants which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Warrants and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making

any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

(f) Notice of Adjustments

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantheolders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantheolders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantheolder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrant so purchased may be held or resold or surrendered for cancellation.

9. Global Certificates

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrant issued or transferred to them.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantheolders shall be decided by poll.

Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders. Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All warrant certificates, cheques and other documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (otherwise, in the case of Warrants which are expressed to be American Style, than in accordance with an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of all of the Companies or the appointment of a liquidator, receiver or administrator or analogous person under the laws of its jurisdiction of incorporation in respect of the whole or substantially the whole of their undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation of the last Company to be so affected, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution of the last Company to be so affected, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of any of the Companies, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

14. Delisting

- (a) If at any time any of the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantheolders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantheolder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where any of the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantheolders, make such adjustments to the entitlements of Warrantheolders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantheolders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantheolders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Warrants, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

16. **Language**

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

TERMS AND CONDITIONS OF THE INDEX CALL WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Nomura International plc (the “Issuer”), a deed of guarantee (the “Guarantee”) dated 15 December 2009 and made by Nomura Bank International plc (the “Guarantor”) and a base registrar’s and structured product agency agreement (the “Registrar’s Agreement”) dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantholder” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) Warrant Rights

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.

(b) Exercise Expenses

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4(B), as the case may be.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount calculated by the Issuer equal to (1) the excess of the Closing Level on the Valuation Date over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of the following events, circumstances or causes:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or

- (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
- (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (1), (x) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or
- (3) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Index Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the foresaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date, as the case may be.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.

(b) Automatic Exercise

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the

Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) Expiry

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) *European Style Warrants*

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) Exercise of Warrants

The Warrants are exercisable only on the Expiry Date.

(b) Automatic Exercise

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantholders). The Warrantholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) Expiry

Any Warrant which has not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantholder and obligations of the Issuer with respect to such Warrants shall cease.

4. *Exercise of Warrants*

(A) *American Style Warrants*

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) Delivery of an Exercise Notice

(i) In order to exercise Warrants, the Warrantholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

(ii) The date upon which a Warrant is, or is to be treated as, exercised (an "Exercise Date") shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) Exercise Notice

The Exercise Notice shall:

- (i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;
 - (ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and
 - (iii) specify the relevant account to which the Cash Settlement Amount should be sent.
- (d) Consequences of delivery of an Exercise Notice

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) Cancellation

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date, or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) Cash Settlement

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) European Style Warrants

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

- (a) Warrants may only be exercised in a Board Lot or integral multiples thereof.
- (b) No requirement to deliver an exercise notice

The Warrantheolders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

- (c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

- (d) Cash Settlement

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantheolder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantheolder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantheolder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantheolder for any interest in respect of the amount due or any loss or damage that such Warrantheolder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantheolders in accordance with Condition 11.

- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments to the Index

(a) Successor Index Compiler Calculates and Reports Index

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “Successor Index Compiler”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

(b) Modification and Cessation of Calculation of Index

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event), then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

(c) Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or

impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrant so purchased may be held or resold or surrendered for cancellation.

9. Global Certificates

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrant issued or transferred to them.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantheolders shall be decided by poll.

Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders. Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an

obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (unless otherwise, in the case of Warrants which are expressed to be American Style, specified in an Exercise Notice, where applicable) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Governing Law

The Warrants, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, the Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

TERMS AND CONDITIONS OF THE INDEX PUT WARRANTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of Warrants. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Nomura International plc (the “Issuer”), a deed of guarantee (the “Guarantee”) dated 15 December 2009 and made by Nomura Bank International plc (the “Guarantor”) and a base registrar’s and structured product agency agreement (as amended, varied and supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Warrants made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Warrants (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Warrantheolders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

(b) Status

The Warrants represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Warrants may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Warrants shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Warrants. The expression “Warrantheolder” shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) Warrant Rights

Every Exercise Amount entitles each Warrantholder, upon due exercise and compliance with Condition 4(A) or 4(B), as the case may be, to payment of the Cash Settlement Amount (as defined below), if any.

(b) Exercise Expenses

On exercise of the Warrants, Warrantholders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses (as defined below) in accordance with Condition 4(A) or 4 (B), as the case may be.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means in respect of every Exercise Amount an amount calculated by the Issuer equal to (1) the excess of the Strike Level over the Closing Level on the Valuation Date, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Exercise Expenses;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Designated Bank Account” means the relevant bank account designated by the relevant Warrantholder for the purpose of procuring payment of the Cash Settlement Amount electronically through CCASS;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Notice” means a duly completed exercise notice obtainable from the Registrar;

“Expiry Date” means the Maturity Date or if the Maturity Date is not a Business Day the immediately preceding Business Day;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of the following events, circumstances or causes:
 - (i) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of securities on the Index Exchange; or

- (iii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
- (iv) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

for the purposes of paragraph (1), (x) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

- (2) where the Index Exchange is the Stock Exchange, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted; or
- (3) an outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, act of terrorism and natural calamities) or the breakdown of the Index Exchange’s price quotation system if, in the determination of the Issuer, the occurrence or existence of any of the foresaid events will have a material adverse effect on the ability of the Issuer to perform its obligations in connection with or on the ability of the Issuer or its affiliates to hedge the Issuer’s or its affiliates’ position with respect to the Warrants;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Exercise Date (as defined below) or the Expiry Date, as the case may be.

3. Exercise of American Style Warrants and European Style Warrants, Automatic Exercise and Expiry

(A) American Style Warrants

The following provisions of this Condition 3(A) shall apply only to Warrants which are expressed to be American Style.

(a) Exercise Period

The Warrants may be exercised by delivery of an Exercise Notice, in accordance with Condition 4(A) at any time during the period (the “Exercise Period”) beginning at 10:00 a.m. (Hong Kong time) on the Dealing Commencement Date (or, if later, the first day of dealings in the Warrants on the Stock Exchange) and ending at 10:00 a.m. (Hong Kong time) on the Expiry Date.

(b) Automatic Exercise

All Warrants with respect to which an Exercise Date (as defined below) has not occurred during the Exercise Period will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any Exercise Notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) Expiry

Any Warrant with respect to which an Exercise Date has not occurred during the Exercise Period or which has not been automatically exercised in accordance with Condition 3(A)(b) during the Exercise Period shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrants shall cease.

(B) European Style Warrants

The following provisions of this Condition 3(B) shall apply only to Warrants which are expressed to be European Style.

(a) Exercise of Warrants

The Warrants are exercisable only on the Expiry Date.

(b) Automatic Exercise

All Warrants will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Warrantheholders). The Warrantheholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Warrantheholders the Cash Settlement Amount (if any) calculated in accordance with Condition 2 above.

(c) Expiry

Any Warrant which have not been automatically exercised in accordance with Condition 3(B)(b) shall expire immediately without value thereafter and all rights of the Warrantheholder and obligations of the Issuer with respect to such Warrants shall cease.

4. Exercise of Warrants

(A) American Style Warrants

The following provisions of this Condition 4(A) shall apply only to Warrants which are expressed to be American Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) Delivery of an Exercise Notice

(i) In order to exercise Warrants, the Warrantheholder shall deliver to the Transfer Office an Exercise Notice, such delivery to be made at any time during the Exercise Period. Warrants may not be exercised at any other time.

(ii) The date upon which a Warrant is, or is to be treated as, exercised (an “Exercise Date”) shall be the Business Day on which an Exercise Notice is delivered to the Registrar and in respect of which there is a valid exercise of Warrants in accordance with the requirements of these Conditions, provided that any Exercise Notice received by the Registrar after 10:00 a.m. (Hong Kong time) on any Business Day shall be deemed to have been delivered on the next following Business Day.

(c) Exercise Notice

The Exercise Notice shall:

(i) specify the name(s) of the Warrantholder(s) and the number of Warrants being exercised;

(ii) be accompanied by the Global Certificate in the name(s) of the exercising Warrantholder(s); and

(iii) specify the relevant bank account to which the Cash Settlement Amount should be sent.

(d) Consequences of delivery of an Exercise Notice

Delivery of an Exercise Notice in accordance with Condition 4(A) shall constitute an irrevocable election and undertaking by the Warrantholder specified in such Exercise Notice to exercise the number of Warrants specified in such Exercise Notice and an irrevocable authorisation to deduct the Exercise Expenses in accordance with the definition of the Cash Settlement Amount.

(e) Cancellation

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will procure that the Registrar will, with effect from the first Business Day following the Exercise Date, or the Expiry Date, as the case may be, remove from its register the name of the person in respect of the Warrants which are the subject of an exercise whether pursuant to an Exercise Notice, automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(f) Cash Settlement

Subject to a valid exercise, or automatic exercise, of Warrants in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder (or such other person as the Warrantholder may have specified in the Exercise Notice, if applicable) equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the “Settlement Date”) by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

(B) *European Style Warrants*

The following provisions of this Condition 4(B) shall apply only to Warrants which are expressed to be European Style.

(a) Warrants may only be exercised in a Board Lot or integral multiples thereof.

(b) No requirement to deliver an exercise notice

The Warrantholders will not be required to deliver an exercise notice for any purpose in relation to the Warrants.

(c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Expiry Date, remove from its register the name of the person in respect of the Warrants which are the subject of an automatic exercise or if the Warrants have expired worthless and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to and in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Warrantholder equal to the Cash Settlement Amount.

The Cash Settlement Amount shall be despatched not later than three Business Days following the Valuation Date (the "Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account. If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Warrantholder for any interest in respect of the amount due or any loss or damage that such Warrantholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Warrants.

If the Issuer determines, in its sole discretion, that on the Valuation Date a Market Disruption Event has occurred, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer may, if applicable, but shall not be obliged, to determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

5. Registrar

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Warrants are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Warrantholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Warrant and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders.

6. Adjustments to the Index

- (a) Successor Index Compiler Calculates and Reports Index

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "Successor Index Compiler") acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

- (b) Modification and Cessation of Calculation of Index

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

- (c) Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantheolders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Warrants early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantheolder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrant so purchased may be held or resold or surrendered for cancellation.

9. Global Certificates

The Warrants are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Warrantheolders will not be entitled to definitive certificates in respect of any Warrant issued or transferred to them.

10. Meetings of Warrantheolders; Modification

(a) Meetings of Warrantheolders

The Registrar's Agreement contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Warrants or of the Global Certificate. Any resolutions to be passed in a meeting of the Warrantheolders shall be decided by poll.

Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting, save, in the case of Warrants which are expressed to be American Style, for those Warrants remaining unexercised but for which an Exercise Notice shall have been submitted prior to the date of the meeting.

In the case of Warrants which are expressed to be American Style, Warrants which have not been exercised but in respect of which an Exercise Notice has been submitted will not confer the right to attend or vote at, or join in convening, or be counted in quorum for, any meeting of the Warrantheolders. Resolutions can be passed in writing without a meeting of the Warrantheolders being held if passed unanimously.

(b) **Modification**

The Issuer may, without the consent of the Warrantheolders, effect (i) any modification of the provisions of the Warrants or the Global Certificate which is not materially prejudicial to the interests of the Warrantheolders or (ii) any modification of the provisions of the Warrants or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Warrantheolders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Warrantheolder or to which a Warrantheolder is entitled or which the Issuer shall have agreed to deliver to a Warrantheolder may be delivered by hand or sent by post addressed to the Warrantheolder (unless otherwise, in the case of Warrants which are expressed to be American Style, specified in an Exercise Notice) to the Warrantheolder's address (or, in the case of joint Warrantheolders, to the address of the first named Warrantheolder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantheolder.
- (b) All notices to Warrantheolders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Warrants at their addresses appearing in the register of Warrantheolders kept by the Registrar.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Warrants.

13. Governing Law

The Warrants, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, Guarantor and each Warrantheolder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

14. **Language**

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

TERMS AND CONDITIONS OF THE EQUITY CALLABLE CONTRACTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of CBBCs. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Contracts (which expression shall, unless the context otherwise requires, include any further Contracts issued pursuant to Condition 13) relating to the Shares of the Company are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Nomura International plc (the “Issuer”) a deed of guarantee (the “Guarantee”) dated 15 December 2009 and made by Nomura Bank International plc (the “Guarantor”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Contracts made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Contracts (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Contractholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

(b) Status

The Contracts represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Contracts may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Contracts shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Contracts. The expression “Contractholder” shall be construed accordingly.

2. Contract Rights and Expenses

(a) Contract Rights

Every Exercise Amount gives each Contractholder, (i) upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount, (if any) or (ii) upon compliance with Condition 4, the right to receive the payment of the Mandatory Call Payoff (if any) following the occurrence of a Mandatory Call Event (all as defined below).

(b) Expenses

On expiry of the Contracts or upon the occurrence of a Mandatory Call Event, Contractholders are required to pay the Expenses. To effect such payment, an irrevocable authorisation to deduct the Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount or the Mandatory Call Payoff (as the case may be) is deemed to be given by a Contractholder to the Issuer upon purchase of the Contracts.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

In the case of a series of Bear Contracts:

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in the Settlement Currency calculated by the Issuer equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Strike Price (subject to adjustment as provided in Condition 6) less (ii) the Closing Price less (2) the Expenses, provided that if the Cash Settlement Amount is a negative amount, it shall be deemed to be zero;

In the case of a series of Bull Contracts:

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in the Settlement Currency calculated by the Issuer as equal to (1) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Closing Price less (ii) the Strike Price (subject to adjustment as provided in Condition 6); less (2) the Expenses, provided that if the Cash Settlement Amount is a negative amount it shall be deemed to be zero;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the General Rules of CCASS, subject to such modification and amendment prescribed by HKSCC from time to time.

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Closing Price” means the closing price of the Shares (as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any capitalisation, rights issue, distribution or the like) on the Valuation Date;

“Day High/Low Price” means, in relation to any day, the highest/lowest price of a non-direct trade which is concluded by automatic order matching (including auction matching) during such day;

“Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the expiry of the Contracts or the occurrence of a Mandatory Call Event (as the case may be);

“Expiry Date” means the date specified as such in the relevant Supplemental Listing Document or, if such day is not a Business Day, the immediately succeeding Business Day;

“IEP” means the indicative equilibrium price, as determined in accordance with the rules and regulations of the Stock Exchange;

“Mandatory Call Date” means the Business Day during the Mandatory Call Observation Period on which a Mandatory Call Event occurs;

In the case of a series of Bear Contracts:

“Mandatory Call Event” means the first occurrence on a Business Day during the Mandatory Call Observation Period whereby the Spot Price is equal to or greater than the Call Price;

In the case of a series of Bull Contracts:

“Mandatory Call Event” means the first occurrence on a Business Day during the Mandatory Call Observation Period whereby the Spot Price is equal to or less than the Call Price;

“Mandatory Call Observation Period” means the period from (and including) the Mandatory Call Observation Period Start Date to (and including) the Mandatory Call Observation Period End Date;

“Mandatory Call Observation Period End Date” means the Business Day immediately preceding the Expiry Date;

“Mandatory Call Observation Period Start Date” has the meaning specified in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

- (1) (i) with respect to exercise of the Contracts, the occurrence or existence on the Valuation Date during the one-half hour period that ends at the close of trading of, or (ii) with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session (as defined below), the occurrence or existence during such Pricing Session resulting in any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (a) the Shares; and/or
 - (b) any options or futures contracts relating to the Shares if, in any such case, that suspension or limitation is, in the determination of the Issuer, material; or
- (2) (i) with respect to exercise of the Contracts, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock

Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been hoisted, or (ii) with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which results in the Stock Exchange being closed for dealings; or

(3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

PROVIDED THAT with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session, there shall be no Market Disruption Event in the relevant trading session if there is a continuous period of at least one hour during which (1)(ii), (2) and/or (3) or any combination thereof does not subsist;

In the case of a series of Bear Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and
- (2) in respect of every Exercise Amount for Category R Contracts, an amount in the Settlement Currency calculated by the Issuer as equal to (a) the Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Strike Price (subject to adjustment as provided in Condition 6) less (ii) the Maximum Trading Price; less (b) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

In the case of a series of Bull Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and
- (2) in respect of every Exercise Amount for Category R Contracts, an amount in the Settlement Currency calculated by the Issuer as equal to the (a) Entitlement (subject to adjustment as provided in Condition 6) multiplied by (i) the Minimum Trading Price less (ii) the Strike Price (subject to adjustment as provided in Condition 6); less (b) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

“Maximum Trading Price” means the maximum trade price of the Shares during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the “Pricing Session”) for callable bull/bear contracts on Hong Kong shares on the Stock Exchange;

“Minimum Trading Price” means the minimum trade price of the Shares during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the “Pricing Session”) for callable bull/bear contracts on Hong Kong shares on the Stock Exchange;

For the purpose of determining the Minimum Trading Price and the Maximum Trading Price: (i) the pre-opening session and the morning session shall be considered as one Pricing Session only; (ii) if the closing auction session is applicable, the afternoon session and the closing auction session shall be considered as one Pricing Session only; (iii) if the closing auction session is not applicable, the afternoon session shall be considered as one Pricing Session; (iv) in respect of half-day trading, if the closing auction session is applicable, the pre-opening

session, the continuous trading session and the closing auction session of the same day shall be considered as one Pricing Session only; and (v) in respect of half-day trading, if the closing auction session is not applicable, the pre-opening session and the continuous trading session of the same day shall be considered as one Pricing Session only.

“Post MCE Trades” means (i) if the Mandatory Call Event occurs in the pre-opening session or the closing auction session (if applicable), as the case may be, of the Stock Exchange, all trades in the Contract concluded via auction during the order matching period and all manual trades concluded after the determination of the final IEP; or (ii) if the Mandatory Call Event occurs in the continuous trading session of the Stock Exchange, all trades concluded via auto-matching or manually after the Mandatory Call Event;

“Price Determination Date” means the date on which the Maximum Trading Price or the Minimum Trading Price (as the case may be) is determined by the Issuer;

“Settlement Currency” means Hong Kong dollars, unless otherwise specified in the relevant Supplemental Listing Document;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Mandatory Call Payoff or the Cash Settlement Amount (as the case may be) electronically through CCASS to the relevant bank account designated by the relevant Contractholder (“Designated Bank Account”);

“Spot Price” means the non-direct trade price concluded by automatic order matching of the Shares traded on the Stock Exchange during the continuous trading session or the final IEP of the Shares (excluding the final IEP that does not lead to a Day High/Low Price) calculated at the end of the pre-order matching period of the (i) pre-opening session; or (ii) closing auction session (if applicable), as the case may be in accordance with the rules and regulations of the Stock Exchange;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means, with respect to the exercise of Contracts, and subject to the occurrence of a Market Disruption Event as provided in Condition 4(d), the Business Day immediately preceding the Expiry Date.

3. Exercise of Contracts, Mandatory Call Event, Automatic Exercise and Expiry

(a) Exercise of Contracts

The Contracts are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.

(b) Mandatory Call Event

Any Contract in respect of which a Mandatory Call Event has occurred will automatically be exercised on the Mandatory Call Date and every Exercise Amount will entitle the Contractholder to receive the Mandatory Call Payoff (if any) on the Settlement Date (as defined in Condition 4 below).

(c) Automatic Exercise

Any Contract which has not been automatically exercised on a Mandatory Call Date will automatically be exercised on the Expiry Date, if on that date the value of the Cash Settlement

Amount is greater than zero (without prior notice being given to the Contractholders). The Contractholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Contractholders the Cash Settlement Amount (if any) in accordance with Condition 4(d).

(d) Issuer's Obligations

For the avoidance of doubt, where the Contracts have been exercised on the Expiry Date or on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount or the Mandatory Call Payoff (if any) (as the case may be) shall constitute full and final settlement of the obligations of the Issuer with respect to the Contracts. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Contractholder under the Contracts subsequent to such Expiry Date or Mandatory Call Date (as the case may be).

(e) Expiry

Any Contract which is not automatically exercised in accordance with Condition 3(b) or Condition 3(c) (as the case may be) shall expire immediately without value thereafter and all rights of the Contractholder and obligations of the Issuer with respect to such Contract shall cease.

4. Exercise of Contracts, Cancellation and Payment

(a) Board Lots

Contracts may only be exercised in a Board Lot or integral multiples thereof.

(b) No requirement to deliver an exercise notice

The Contractholders will not be required to deliver an exercise notice for any purpose in relation to the Contracts.

(c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the Contracts which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions; or (iii) have expired worthless, and thereby cancel the relevant Contracts.

(d) Cash Settlement

Subject to automatic exercise of Contracts in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Contractholder equal to the Mandatory Call Payoff or the Cash Settlement Amount (if any) (as the case may be).

The Mandatory Call Payoff or the Cash Settlement Amount shall be despatched not later than three CCASS Settlement Days following the Price Determination Date or the Valuation Date, as the case may be ("Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Contractholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Contractholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Contractholder for any interest in respect of the amount due or any loss or damage that such Contractholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Contracts.

If the Issuer determines, in its sole discretion, that on the Valuation Date or in any Pricing Session a Market Disruption Event has occurred, then that Valuation Date or Pricing Session (as the case may be) shall be postponed to the first succeeding Business Day or first succeeding trading session (as the case may be) on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Business Days or occurring in each of the trading sessions in the four Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date or the original date of the Pricing Session (as the case may be). In that case (i) the fifth Business Day shall be deemed to be the Valuation Date or the last trading session on such fourth Business Day shall be deemed to be the Pricing Session (as the case may be), notwithstanding the Market Disruption Event, and (ii) the Issuer shall determine the closing price of the Shares or the Maximum Trading Price or Minimum Trading Price (as the case may be) on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event, on that fifth Business Day or during the last trading session on that fourth Business Day (as the case may be).

For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date; (2) no postponement will be made in respect of any Market Disruption Event occurring during a trading session in which a Mandatory Call Event occurs; and (3) a postponement of the Pricing Session to a later trading session would not result in the prices of trades that occurred after the Mandatory Call Event but before the occurrence of the Market Disruption Event being excluded from the determination of the Maximum Trading Price or the Minimum Trading Price (as the case may be).

5. Register and Transfer Office

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar which, so long as the Contracts are listed on the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Contractholder in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Contracts and will not assume any obligation or duty to or any relationship of agency or trust for the Contractholders.

6. Adjustments

(a) Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "Rights Offer"), the Entitlement will be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \frac{1 + M}{1 + (R/S) \times M} \times E$$

Where:

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Right
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Call Price and/or Strike Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

"Rights" means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

(b) Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a "Bonus Issue") the Entitlement will be increased on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = (1 + N) \times E$$

Where:

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made to the Entitlement. In addition, the Issuer shall adjust the Call Price and/or Strike Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) Share Splits or Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a "Subdivision") or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a "Consolidation"), the Entitlement in effect immediately prior thereto will be increased (in the case of a Subdivision) or decreased (in the case of a Consolidation) accordingly in each case on the day on which the relevant Subdivision or Consolidation shall have taken effect. In addition, the Issuer shall adjust the Call Price and/or Strike Price (which shall be rounded to the nearest Hong Kong dollar 0.001) by the reciprocal of the Adjusted Entitlement, where the reciprocal of the Adjusted Entitlement means one divided by the relevant Adjusted Entitlement. This adjustment to the Call Price and/or Strike Price shall take effect on the same day that the Entitlement is adjusted.

(d) Merger or Consolidation

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Contracts may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "Restructuring Event") (as determined by the Issuer in its absolute discretion).

The rights attaching to the Contracts after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities ("Substituted Securities") and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Contracts related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in Hong Kong dollars equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph (d) and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Conditions to the Shares shall include any such cash.

(e) Cash Distributions

Generally, no capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a script alternative). For any other forms of cash distribution (each a “Cash Distribution”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Call Price and the Strike Price shall be adjusted to take effect on the Business Day on which trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

The Strike Price will be adjusted to:

$$\text{Adjusted Strike Price} = X - C$$

The Call Price will be adjusted to:

$$\text{Adjusted Call Price} = Y - C$$

Where:

X: Existing Strike Price immediately prior to the relevant Cash Distribution.

Y: Existing Call Price immediately prior to the relevant Cash Distribution.

C: Amount of the relevant Cash Distribution per Share

(f) Other Adjustments

Without prejudice to the provisions of this Condition 6 and Condition 14, the Issuer may (but shall not be obliged to) make such adjustments to the terms of the Contracts which, in its sole and unfettered discretion and notwithstanding any prior adjustment made pursuant to the above, it considers appropriate, in the context of the issue of the Contracts and the obligations of the Issuer, to take account of (a) any event which may have a diluting or concentrative effect on the theoretical value of Shares or (b) any other event (including any corporate actions) affecting the Shares or the Company provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Contractholders generally. The Issuer shall not be required to have regard to the circumstances of any individual Contractholder or the tax or other consequences of such adjustment in any particular jurisdiction in considering or making any such adjustments, and may, but need not, determine the appropriate adjustment(s) by reference to (i) the adjustment(s) in respect of such events made by an option exchange to options on the relevant Shares traded on such option exchange and (ii) the proceeds or assets which may be received by a holder of the Shares in connection with such event.

(g) Notice of Adjustments

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Contractholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Contracts has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Contracts for any reason, the Issuer may at its discretion and without obligation terminate the Contracts early by giving notice to the Contractholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Contracts early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Contractholder in respect of each Contract held by such holder equal to the fair market value of a Contract notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Contractholders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Contracts at any price in the open market or by tender or by private treaty. Any Contracts so purchased may be held or resold or surrendered for cancellation.

9. Global Certificate

The Contracts are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Contractholders will not be entitled to definitive certificates in respect of any Contracts issued or transferred to them.

10. Meetings of Contractholders; Modification

(a) Meetings of Contractholders

The Registrar's Agreement contains provisions for convening meetings of the Contractholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Contracts or of the Global Certificate.

Any resolutions to be passed in a meeting of the Contractholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Contractholders holding not less than 10 per cent. of the Contracts for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Contracts for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Contractholders whatever the number of Contracts so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Contractholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Contractholders shall be binding on all the Contractholders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Contractholders being held if passed unanimously.

(b) **Modification**

The Issuer may, without the consent of the Contractholders, effect (i) any modification of the provisions of the Contracts or the Global Certificate which is not materially prejudicial to the interests of the Contractholders or (ii) any modification of the provisions of the Contracts or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Contractholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Contractholder or to which a Contractholder is entitled or which the Issuer shall have agreed to deliver to a Contractholder may be delivered by hand or sent by post addressed to the Contractholder to the Contractholder's address (or, in the case of joint Contractholders, to the address of the first named Contractholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Contractholder.
- (b) All notices to Contractholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Contracts at their addresses appearing in the register of Contractholders kept by the Registrar.

12. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under the laws of its jurisdiction of incorporation in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Contracts will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

13. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Contractholders, to create and issue further contracts so as to form a single series with the Contracts.

14. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments to the rights attaching to the Contracts as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Contractholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Contractholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 14(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Contractholders, make such adjustments to the entitlements of Contractholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into Hong Kong currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Contractholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Contractholders in accordance with Condition 11 as soon as practicable after they are determined.

15. Governing Law

The Contracts, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, the Guarantor and each Contractholder (by its purchase of the Contracts) shall be deemed to have submitted for all purposes in connection with the Contracts, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

TERMS AND CONDITIONS OF THE INDEX CALLABLE CONTRACTS (CASH SETTLED)

The relevant Conditions will, together with the supplemental provisions contained in the relevant Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The applicable Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions, replace or modify the relevant Conditions for the purpose of such series of CBBCs. Capitalised terms used in the relevant Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Supplemental Listing Document.

1. Form, Status, Transfer and Title

(a) Form

The Contracts (which expression shall, unless the context otherwise requires, include any further contracts issued pursuant to Condition 12) relating to the Index as published by the Index Compiler are issued in registered form subject to and with the benefit of a global certificate by way of deed poll (the “Global Certificate”) dated the Issue Date, made by Nomura International plc (the “Issuer”) a deed of guarantee (the “Guarantee”) dated 15 December 2009 and made by Nomura Bank International plc (the “Guarantor”) and a base registrar’s and structured product agency agreement (as amended, varied or supplemented from time to time or any successor document, the “Registrar’s Agreement”) dated 15 December 2009 as supplemented by a Confirmation (as defined in the Registrar’s Agreement) relating to the Contracts made between the Issuer, the Guarantor and Computershare Hong Kong Investor Services Limited as registrar and agent for the Contracts (the “Registrar” and “Agent”, which expressions shall include any successors). Copies of the Global Certificate, the Guarantee and the Registrar’s Agreement are available for inspection at the specified office of the Registrar (the “Transfer Office”). The initial Transfer Office is set out below. The Contractholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Global Certificate and the Registrar’s Agreement.

(b) Status

The Contracts represent general, unsecured, contractual obligations of the Issuer and of no other person and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations of the Issuer. The obligations of the Guarantor under the Guarantee represent general, unsecured, contractual obligations of the Guarantor and of no other person and rank *pari passu* (save for certain obligations required to be preferred by law) with all other unsecured obligations of the Guarantor.

(c) Transfer

Transfers of beneficial interests in the Contracts may be effected only in Board Lots or integral multiples thereof in CCASS (as defined below) in accordance with the CCASS Rules (as defined below).

(d) Title

Each person who is for the time being shown in the register kept by the Registrar as entitled to a particular number of Contracts shall be treated by the Issuer, the Guarantor and the Registrar as the absolute owner and holder of such number of Contracts. The expression “Contractholder” construed accordingly.

2. Contract Rights and Expenses

(a) Contract Rights

Every Exercise Amount entitles each Contractholder, (i) upon due exercise and compliance with Condition 4, the right to receive the payment of the Cash Settlement Amount, (if any) or (ii) upon compliance with Condition 4, the right to receive the payment of the Mandatory Call Payoff (if any) following the occurrence of a Mandatory Call Event (all as defined below).

(b) Expenses

On expiry of the Contracts or upon the occurrence of a Mandatory Call Event, Contractholders are required to pay the Expenses. To effect such payment, an irrevocable authorisation to deduct the Expenses in accordance with the calculation set out in the definition of Cash Settlement Amount or the Mandatory Call Payoff (as the case may be) is deemed to be given by a Contractholder to the Issuer upon purchase of the Contracts.

(c) Definitions

For the purposes of these Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong;

In the case of a series of Bear Contracts:

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in the Settlement Currency calculated by the Issuer equal to (1) the excess of the Strike Level over the Closing Level on the Valuation Date, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Expenses, provided that if the Cash Settlement Amount is a negative amount, it shall be deemed to be zero;

In the case of a series of Bull Contracts:

“Cash Settlement Amount” means in respect of every Exercise Amount, an amount in the Settlement Currency calculated by the Issuer equal to (1) the excess of the Closing Level on the Valuation Date over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate less (2) the Expenses, provided that if the Cash Settlement Amount is a negative amount, it shall be deemed to be zero;

“CCASS” means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the General Rules of CCASS, subject to such modification and amendment prescribed by HKSCC from time to time.

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the expiry of the Contracts or the occurrence of a Mandatory Call Event (as the case may be);

“IEP” means the indicative equilibrium price, as determined in accordance with the rules and regulations of the Stock Exchange;

“HSIC” means the Hang Seng Indexes Company Limited;

“Mandatory Call Date” means the Business Day during the Mandatory Call Observation Period on which a Mandatory Call Event occurs;

In the case of a series of Bear Contracts:

“Mandatory Call Event” means the first occurrence on a Business Day during the Mandatory Call Observation Period whereby the Spot Level is equal to or greater than the Call Level;

In the case of a series of Bull Contracts:

“Mandatory Call Event” means the first occurrence on a Business Day during the Mandatory Call Observation Period whereby the Spot Level is equal to or less than the Call Level;

“Mandatory Call Observation Period” means the period from (and including) the Mandatory Call Observation Period Start Date to (and including) the Mandatory Call Observation Period End Date;

“Mandatory Call Observation Period End Date” means the Business Day immediately preceding the Expiry Date;

“Mandatory Call Observation Period Start Date” has the meaning specified in the relevant Supplemental Listing Document;

“Market Disruption Event” means:

- (1) (i) with respect to exercise of the Contracts, the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, or (ii) with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session (as defined below), the occurrence or existence during such Pricing Session of any:
 - (a) the suspension or material limitation of the trading of a material number of securities that comprise the Index; or
 - (b) the suspension or material limitation of the trading of securities on the Index Exchange; or
 - (c) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (d) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount or the Mandatory Call Payoff (as the case may be);

for the purposes of paragraph (1), (x) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any exchange, and (y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, (i) with respect to the exercise of the Contracts the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which either results in the Stock Exchange being closed for dealings for an entire day or results in the Stock Exchange being closed prior to its regular time for close of trading on any day, PROVIDED THAT there shall be no Market Disruption Event on the Valuation Date solely by reason of the Stock Exchange opening later than its regular time for open of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been

hoisted, or (ii) with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session, the hoisting of the tropical cyclone warning signal number 8 or above or the hoisting of a “BLACK” rainstorm signal which results in the Stock Exchange being closed for dealings; or

- (3) where the Index Exchange is the Stock Exchange, a limitation or closure of the Stock Exchange due to any unforeseen circumstances,

PROVIDED THAT with respect to the determination of the Mandatory Call Payoff and in respect of a Pricing Session, there shall be no Market Disruption Event if, in the relevant trading session, there shall be a continuous period of at least one hour during which (1)(ii), (2) and/or (3) or any combination thereof does not subsist;

In the case of a series of Bear Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and
- (2) in respect of every Exercise Amount for Category R Contracts, an amount in the Settlement Currency calculated by the Issuer as equal to (a) the excess of the Strike Level over the Maximum Index Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; less (b) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

In the case of a series of Bull Contracts:

“Mandatory Call Payoff” means:

- (1) in respect of every Exercise Amount for Category N Contracts, zero; and
- (2) in respect of every Exercise Amount for Category R Contracts, an amount in the Settlement Currency calculated by the Issuer as equal to (a) the excess of the Minimum Index Level over the Strike Level, multiplied by the Index Currency Amount, either converted (if applicable) (i) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) into the Interim Currency at the First Exchange Rate and then converted into the Settlement Currency at the Second Exchange Rate; less (b) Expenses, provided that if the Mandatory Call Payoff is a negative amount, it shall be deemed to be zero;

“Maximum Index Level” means the maximum index level of the Index during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the “Pricing Session”) for callable bull/bear contracts on Hong Kong indices as compiled by HSIC on the Stock Exchange;

“Minimum Index Level” means the minimum index level of the Index during the period from the time of the occurrence of the Mandatory Call Event up to the end of the next trading session (such next trading session, the “Pricing Session”) for callable bull/bear contracts on Hong Kong indices as compiled by HSIC on the Stock Exchange;

For the purpose of determining the Minimum Index Level and the Maximum Index Level: (i) the pre-opening session and the morning session shall be considered as one Pricing Session only; (ii) if the closing auction session is applicable, the afternoon session and the closing auction session shall be considered as one Pricing Session only; (iii) if the closing auction session is not applicable, the afternoon session shall be considered as one Pricing Session; (iv) in respect of half-day trading, if the closing auction session is applicable, the pre-opening

session, the continuous trading session and the closing auction session of the same day shall be considered as one Pricing Session only; and (v) in respect of half-day trading, if the closing auction session is not applicable, the pre-opening session and the continuous trading session of the same day shall be considered as one Pricing Session only;

“Post MCE Trades” means (i) if the Mandatory Call Event occurs in the pre-opening session or the closing auction session (if applicable), as the case may be, of the Stock Exchange, all trades in the Contract concluded via auction during the order matching period and all manual trades concluded after the determination of the final IEP; or (ii) if the Mandatory Call Event occurs in the continuous trading session of the Stock Exchange, all trades concluded via auto-matching or manually after the Mandatory Call Event;

“Price Determination Date” means the date on which the Maximum Index Level or the Minimum Index Level (as the case may be) is determined by the Issuer;

“Settlement Currency” means Hong Kong dollars, unless otherwise specified in the relevant Supplemental Listing Document;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Mandatory Call Payoff or the Cash Settlement Amount (as the case may be) electronically through CCASS to the relevant bank account designated by the relevant Contractholder (“Designated Bank Account”);

“Spot Level” means the spot level of the Index as compiled and published by HSIC;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Valuation Date” means the Expiry Date.

3. Exercise of Contracts, Mandatory Call Event, Automatic Exercise and Expiry

(a) Exercise of Contracts

The Contracts are exercisable on the Expiry Date, provided that a Mandatory Call Event has not occurred.

(b) Mandatory Call Event

Any Contract in respect of which a Mandatory Call Event has occurred will automatically be exercised on the Mandatory Call Date and every Exercise Amount will entitle the Contractholder to receive the Mandatory Call Payoff (if any) on the Settlement Date (as defined in Condition 4 below).

(c) Automatic Exercise

Any Contract which has not been automatically exercised on a Mandatory Call Date will automatically be exercised if on the Expiry Date, if on that date the value of the Cash Settlement Amount is greater than zero (without prior notice being given to the Contractholders). The Contractholders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Contractholders the Cash Settlement Amount (if any) in accordance with Condition 4(d).

(d) Issuer’s Obligations

For the avoidance of doubt, where the Contracts have been exercised on the Expiry Date or on a Mandatory Call Date (as the case may be), payment of the Cash Settlement Amount or

the Mandatory Call Payoff (if any) (as the case may be) shall constitute full and final settlement of the obligations of the Issuer with respect to the Contracts. Subject to such payment having been made, the Issuer shall have no obligation towards the relevant Contractholder under the Contracts subsequent to such Expiry Date or Mandatory Call Date (as the case may be).

(e) Expiry

Any Contract which is not automatically exercised in accordance with Condition 3(b) or Condition 3(c) (as the case may be) shall expire immediately without value thereafter and all rights of the Contractholder and obligations of the Issuer with respect to such Contract shall cease.

4. Exercise of Contracts, Cancellation and Payment

(a) Board Lots

Contracts may only be exercised in a Board Lot or integral multiples thereof.

(b) No requirement to deliver an exercise notice

The Contractholders will not be required to deliver an exercise notice for any purpose in relation to the Contracts.

(c) Cancellation

The Issuer will procure that the Registrar will, with effect from the first Business Day following the Mandatory Call Date or the Expiry Date (as the case may be), remove from its register the name of the person in respect of the Contracts which (i) are the subject of an occurrence of a Mandatory Call Event; (ii) are the subject of an exercise pursuant to automatic exercise in accordance with these Conditions or (iii) have expired worthless, and thereby cancel the relevant Contracts.

(d) Cash Settlement

Subject to automatic exercise of Contracts in accordance with these Conditions, the Issuer will make a payment, in respect of every Exercise Amount, to the relevant Contractholder equal to the Mandatory Call Payoff or the Cash Settlement Amount (if any) (as the case may be).

The Mandatory Call Payoff or the Cash Settlement Amount shall be despatched not later than three CCASS Settlement Days following the Price Determination Date or the Valuation Date, as the case may be ("Settlement Date") by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Contractholder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Contractholder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Contractholder for any interest in respect of the amount due or any loss or damage that such Contractholder may suffer as a result of the existence of the Settlement Disruption Event, nor shall the Issuer be liable under any circumstances for any acts or defaults of CCASS in relation to the performance of its duties in relation to the Contracts.

If the Issuer determines, in its sole discretion, that on the Valuation Date or in any Pricing Session, a Market Disruption Event has occurred, then in respect of an occurrence of a Market Disruption Event on the Valuation Date, the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated and, in respect of an occurrence of a Market Disruption Event in any Pricing Session, such Pricing Session shall be postponed to the first succeeding trading session not affected by a Market Disruption Event, unless there is a Market Disruption Event occurring in each of the trading sessions in the four Business Days immediately following the original date of the trading session that, but for the Market Disruption Event, would have been the Pricing Session. In that case (1) the last trading session on such fourth Business Day shall be deemed to be the Pricing Session, notwithstanding the Market Disruption Event, and (2) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) on the basis of its good faith estimate of such price that would have prevailed but for the Market Disruption Event during such last trading session.

For the avoidance of doubt: (1) a Pricing Session may take place on or after the Valuation Date; (2) no postponement will be made in respect of any Market Disruption Event occurring during the trading session in which the Mandatory Call Event occurs; and (3) a postponement of the Pricing Session to a later trading session would not result in the index levels of the Index that were published after the Mandatory Call Event but before the occurrence of the Market Disruption Event being excluded from the determination of the Maximum Index Level or the Minimum Index Level (as the case may be).

5. Register and Transfer Office

- (a) The initial Registrar and the Transfer Office, are set out below. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will at all times maintain a Registrar, which, so long as the Contracts are listed at the Stock Exchange, shall be in Hong Kong. Notice of any such termination or appointment and of any change in the Transfer Office or the specified office of the Registrar will be given to the Contractholders in accordance with Condition 11.
- (b) The Registrar will be acting as agent of the Issuer in respect of any Contracts and will not assume any obligation or duty to or any relationship of agency or trust for the Contractholders.

6. Adjustments to the Index

- (a) Successor Index Compiler Calculates and Reports Index

If the Index is (i) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “Successor Index Compiler”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

(b) Modification and Cessation of Calculation of Index

If:

- (i) on or prior to a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on a Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities/commodities that comprised the Index immediately prior to that change or failure.

(c) Other Adjustments

The Issuer has the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments to the Contracts as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion and notwithstanding any prior adjustment made pursuant to the above should, in the context of the issue of the Contracts and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not be materially prejudicial to the Contractholders generally (without considering the circumstances of any individual Contractholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(d) Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Contractholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any determinations by publication in accordance with Condition 11.

7. Early Termination for Extraordinary Reasons, Illegality and Force Majeure

If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Contracts has become illegal or impractical in whole or in part for any reason, or if the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Contracts for any reason, the Issuer may at its discretion and without obligation terminate the Contracts early by giving notice to the Contractholders in accordance with Condition 11.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer terminates the Contracts early, the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Contractholder in respect of each Contract held by such holder equal to the fair market value of a Contract notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Contractholders in accordance with Condition 11.

8. Purchases

The Issuer, the Guarantor and/or any of their affiliates may at any time purchase Contracts at any price in the open market or by tender or by private treaty. Any Contracts so purchased may be held or resold or surrendered for cancellation.

9. Global Certificate

The Contracts are represented by the Global Certificate registered in the name of HKSCC Nominees Limited and deposited with CCASS in accordance with the CCASS Rules. Contractholders will not be entitled to definitive certificates in respect of any Contracts issued or transferred to them.

10. Meetings of Contractholders; Modification

(a) Meetings of Contractholders

The Registrar's Agreement contains provisions for convening meetings of the Contractholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Registrar's Agreement) of a modification of the provisions of the Contracts or of the Global Certificate.

Any resolutions to be passed in a meeting of the Contractholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Contractholders holding not less than 10 per cent. of the Contracts for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Contracts for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Contractholders whatever the number of Contracts so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Contractholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Contractholders shall be binding on all the Contractholders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Contractholders being held if passed unanimously.

(b) Modification

The Issuer may, without the consent of the Contractholders, effect (i) any modification of the provisions of the Contracts or the Global Certificate which is not materially prejudicial to the interests of the Contractholders or (ii) any modification of the provisions of the Contracts or the Global Certificate which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of the laws of Hong Kong (as defined below). Any such modification shall be binding on the Contractholders and shall be notified to them by the Registrar before the effective date or as soon as practicable thereafter in accordance with Condition 11.

11. Notices

- (a) All documents required or permitted by these Conditions to be sent to a Contractholder or to which a Contractholder is entitled or which the Issuer shall have agreed to deliver to a Contractholder may be delivered by hand or sent by post addressed to the Contractholder to the Contractholder's address (or, in the case of joint Contractholders, to the address of the first named Contractholder) appearing in the register kept by the Registrar, and airmail post shall be used if such address is not in Hong Kong. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Contractholder.
- (b) All notices to Contractholders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If publication is not practicable, notice will be given in such other manner as the Issuer may determine. In addition, copies of the notices will be sent by mail to the holders of Contracts at their addresses appearing in the register of Contractholders kept by the Registrar.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Contractholders, to create and issue further contracts so as to form a single series with the Contracts.

13. Governing Law

The Contracts, the Global Certificate, the Guarantee, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them will be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). The Issuer, the Guarantor and each Contractholder (by its purchase of the Contracts) shall be deemed to have submitted for all purposes in connection with the Contracts, the Global Certificate, the Registrar's Agreement and any non-contractual obligations arising out of or in connection with them to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

In the event of any inconsistency between the Chinese translation of these Conditions and the English version of these Conditions, the English version of these Conditions shall prevail.

Registrar, Agent and Transfer Office:

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

INFORMATION ABOUT THE ISSUER

The Issuer was established on 12 March 1981 and is registered as a public limited company (registration number 1550505) in England and Wales. The Issuer has its registered office at Nomura House, 1 St. Martin's-le-Grand, EC1A 4NP London.

The Issuer is a wholly owned subsidiary of Nomura Europe Holdings plc, which in turn is a wholly owned subsidiary of Nomura Holdings, Inc. Nomura Holdings, Inc. is a holding company which manages financial operations for its subsidiaries (together **Nomura Group**). The Issuer is the largest European company in the Nomura Group. The Issuer is regulated by the Financial Services Authority (the **FSA**) under number 124422.

The following information is mostly taken from the Directors' Report for the latest audited annual accounts for the year ending 31 March 2009.

Business and Operations

The Issuer is authorised by its Memorandum of Association to carry on the business of banking and all related and ancillary activities. The Issuer's 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 and private equity.

The Issuer's ultimate parent company, Nomura Holdings, Inc., is a listed money market institution. The Issuer's business is also supervised by the exchanges on which it operates which are, as of the date of this document, the London Stock Exchange, Deutsche Börse (Eurex - derivatives market; Xetra - cash market), NYSE Euronext (cash markets — London, Amsterdam, and Paris), NYSE Liffe (derivatives markets — London, Amsterdam, Paris, Brussels and Lisbon), SWX Europe, MEFF (Spanish Derivatives Exchange), Scoach Europa AG, EDX, Stuttgart Euwax and Borsa Italiana (SEDEX market).

The ultimate parent company established Nomura Capital Markets plc during the year ended 31 March 2008 to offer a comprehensive derivatives service globally together with centralised operational and risk management facilities. The Issuer has transferred a significant portion of its market risk to this entity, prior and subsequent to 31 March 2009, as part of these ongoing developments within the Nomura Group.

The auditors of the Issuer are Ernst & Young LLP. The financial statements for the year ended 31 March 2009 have been conducted by the auditors in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. The annual reports of Nomura Holdings, Inc. as of 31 March 2008 and 2009 are available at the registered office of the Issuer.

On 23 September 2008, the Issuer announced it had reached an agreement to acquire the European and Middle Eastern equities and investment banking operations of Lehman Brothers Holdings plc (**Lehman**). The acquisition will provide the Nomura Group with a market leading equities and investment banking platform in the region and further enhance the Nomura Group's strategy of connecting Asia and Europe. The transaction closed on 13 October 2008. The business combination details are contained within the Issuer's audited annual accounts for the year ending 31 March 2009.

As at the date of this document, the Issuer's most recent short-term rating from Moody's was P-2.

Nomura Group is a leading financial services group and an Asian-based investment bank with worldwide reach. Nomura Group provides a broad range of financial solutions to individual, institutional, corporate and government clients through an international network in over 30 countries. Based in Tokyo and with regional headquarters in Hong Kong, London, and New York, Nomura Group employs about 26,000 staff worldwide. Nomura Group's services to clients are provided through five business divisions: domestic retail, global markets, global investment banking, global merchant banking, and asset management.

As a large, internationally active financial services firm, the Issuer and other entities within the group are occasionally involved in litigation or other claims. Where these claims or litigation are material, full disclosure is made in the Issuer's annual report and accounts.

Risk Management

As of the date of this document, market and credit risk are managed by the Issuer through its dedicated group committees, and in particular, the Capital Commitments, Finance & Risk Committee and its various sub committees. A wide range of models and techniques are used to manage market risk, some of which are proprietary and others widely used in the market. The Issuer manages operational risk through the Audit Committee and certain of the sub committees referred to above. In addition, conflicts issues, legal and reputational risk and any other risks are managed through dedicated committees.

INFORMATION ABOUT THE GUARANTOR

1 Information about Nomura Bank International plc

1.1 *History and development of the Guarantor*

The Guarantor was incorporated with limited liability in England on 22 January 1986 as a wholly owned subsidiary of Nomura Holdings, Inc. (formerly known as The Nomura Securities Co., Ltd.) which is incorporated in Japan. The latter together with its consolidated subsidiaries is defined as the “**Nomura Group**”. The Guarantor is governed by the laws of England and Wales. The Guarantor was registered as a public limited company on 27 October 1986 and began trading as a licensed deposit taking institution in November 1986 under the name Nomura International Finance plc with £50 million of issued share capital which was increased by a further £50 million in 1988. In November 1987, the Guarantor received full banking authorisation from the Guarantor of England under the Guarantoring Act 1987 and adopted its present name. Following the implementation of the Financial Services Markets Act, the Guarantor is now regulated by the FSA.

In December 1989, the authorised capital of the Guarantor was increased from £100 million to £200 million and Nomura group of companies subscribed for a further 50 million shares bringing the issued and fully paid share capital to £150 million. In March 1994, the Guarantor issued 20 million shares which were subscribed by Nomura Bank Nederland N.V., bringing the issued and fully paid share capital to £170 million. On 31 March 1999, all issued shares were transferred to Nomura Europe Holdings plc. Currently, Nomura Europe Holdings plc holds 169,999,999 shares and Mr. Yugo Ishida holds 1 share.

The Guarantor’s accounting reference date is 31 March. The Guarantor currently has no subsidiaries.

1.2 *The Guarantor’s legal and commercial name*

Nomura Bank International plc is the legal and trading name of the Guarantor.

1.3 *The Guarantor’s date of incorporation and length of life*

The Guarantor was incorporated under the Companies Act 1985 on 22 January 1986 with registered number 1981122 for an unlimited period.

1.4 *The Guarantor’s registered office, legal form, governing laws, country of establishment and registered office’s telephone number*

The Guarantor is organised as a Public Limited Company and operates in accordance with the laws of England and Wales in which it is incorporated.

The registered office of the Guarantor is at Nomura House, 1 St Martin’s-le-Grand, EC1A 4NP London United Kingdom (telephone number +44 20 7521 2000).

1.5 *Recent events material to the evaluation of the Guarantor’s solvency*

No recent events have occurred in the Guarantor’s life which is to a material extent relevant to the evaluation of the Guarantor’s solvency.

2 Statutory Auditors

The annual financial statements of the Guarantor for the financial years ended 31 March 2008 and 2009 have been audited by Ernst & Young LLP (Chartered Accountants) of 1 More London Place, London SE1 2AF, United Kingdom (the “**Auditing Firm**”) and contain an opinion from Ernst & Young LLP which was not qualified and which did not contain a statement under Section 237(2) or (3) of Companies Act 1985. On 27 June 2005 the Guarantor appointed Ernst & Young LLP as auditing firm for an unlimited period.

Ernst & Young LLP is a member of the ICAEW (*Institute of Chartered Accountants in England and Wales*).

3 Risk Factors and Selected Financial Information

3.1 Issuer Credit Risk

Issuer credit risk means the risk that the Guarantor becomes insolvent, i.e. the possibility that the Guarantor is temporarily or permanently not able to fulfil its interest and redemption liabilities in due time. When making their investment decision the investors should therefore, take into consideration the credit rating of the Guarantor.

3.2 Credit Rating

The ability of the Guarantor to make payments to holders in respect of the Securities will be diminished to the extent of any other liabilities undertaken by, or imposed on, the Guarantor. Any Reference Asset may involve the risk that the counterparty to such arrangements may default on any obligations to perform thereunder. The risk related to the Guarantor’s ability to fulfil its obligations as Guarantor of debt securities is described by reference to the ratings assigned to the Guarantor. The lower the assigned rating is on the respective scale, the higher the relevant rating agency assesses the risk that obligations will not or not timely be met. By means of such rating investors may assess the issuer credit risk of the Guarantor. The lower the assigned rating, the higher the relevant rating agency evaluates the issuer credit risk.

As from 27 January 2009, the Guarantor has been given the following ratings:

Rating Agency	Long-term Rating	Short-term Rating
Standard & Poor’s Ratings Services	A-	A-2

Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. defines:

An obligation rated “A-” as meaning that the Guarantor has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories; and

An issuer rated “A-2” as having a strong capacity to meet its financial commitments.

3.3 *Principal Risk Factors*

The Guarantor is subject to principal risk factors which may adversely affect the financial strength of the Guarantor. The following risk factors are the principal risk factors and they fully disclose the risks which affect the Guarantor's ability to fulfil its obligations under the Notes.

Market Risk

The Guarantor itself holds positions in assets. Changes in market prices (for instance share prices) or in other price influential factors (such as the general situation of the global economy or economical and political conditions in relevant countries) may adversely affect the performance of the relevant asset. Such risk may be limited but not excluded by value protection strategies.

Equity Price Risk and Issuer Credit Risk

The Guarantor issues debt instruments with returns linked to the performance of equity, credit instruments or other indices. The Guarantor enters into hedging transactions in order to secure the performance of such debt instruments. Fluctuations in the relevant exchange or other relevant markets may result in the proceeds of the hedging transactions being less than the liabilities under the debt instruments.

Interest Rate Risk

The Guarantor generates part of its financial results through interest yields. Fluctuations in the relevant applicable interest rate (including the ratio between short and long term interest rates among one another) may influence the profits of the Guarantor. The composite of financial assets and liabilities as well as the mismatches resulting from such composite may cause a change in the profits of the Guarantor as a result of fluctuations in interest rates. Changes in interest rate levels have particular impact on differing maturity dates and currencies. A mismatch between the maturity of interest bearing financial assets and interest bearing liabilities within a certain time may have a considerable adverse effect on the financial situation and results of the Guarantor.

Currency Risk

The Guarantor prepares its accounts in GBP. Part of the Guarantor's profits and expenses are originated in other currencies. Changes in the exchange rate regarding the conversion into GBP may adversely affect the Guarantor's financial situation and profits.

Liquidity Risk

The Guarantor holds various financial assets. Besides market risk, such assets are also subject to the risk that as a result of insufficient market liquidity the relevant assets cannot be sold or hedged on short notice or only be sold for a lower price. Such risk especially exists in respect to assets for which there are no markets with sufficient liquidity from the beginning. Limited liquidity in respect of such assets may also adversely affect the liquidity of the Guarantor.

Credit Risk/Loan Risk

The Guarantor entertains different business relationships with third parties. Within the context of such business relationships there is the risk that the third party which owes the Guarantor money, securities or other financial assets cannot fulfil its liabilities. Credit risk may particularly arise as a result of insolvency, illiquidity, cyclical downturn, decline in real estate

prices and/or mistakes in the management of the relevant third party. The risk is particularly relevant to loans as the realisation of such risk may result in a loss of both interest and the principal amount. Such losses may have a considerable adverse effect on the Guarantor's financial situation and profits.

Tax Liabilities

The Guarantor sold its leasing business to a third party in 1998. The Inland Revenue has made an assessment for taxes and interest of £10.4m owed by that business, which currently is unpaid by the new owners. The Guarantor's directors have sought legal advice and believe that the assessment has been wrongly made against the Guarantor. The Guarantor has, therefore, appealed the assessment and intends vigorously to contest the matter.

Commitments

The Guarantor had commitments as at 31 March 2009 amounting to £17,446,000 (2008: £48,217,071) in respect of undrawn note issuance facilities and loan commitments.

Regulatory Risk

The Guarantor's business activities in each jurisdiction in which it operates are subject to extensive supervision and regulations. Changes in laws or regulations may require the Guarantor to change its business or certain products and cause significant costs to the Guarantor. Furthermore, as a result of changes in the regulatory authority's code of practice the Guarantor may have to change part of its business or products or increase its administrative expenses to comply with the changed regulatory requirements which again will involve an increase of cost for the Guarantor. Such possible increase in costs would adversely affect the Guarantor's financial situation and profits.

Reputational Risk

The Guarantor constantly depends on generating new business. Therefore, the Guarantor continuously negotiates with business partners and clients in order to generate new business. A deterioration of the Guarantor's business reputation, particularly in form of negative media publicity, may have the effect that potential clients and business partners decide against entering into business transactions with the Guarantor. This may indirectly have an adverse effect on the profitability and therefore credit rating of the Guarantor.

Operational Risk / Business Risk

For its business operations the Guarantor depends on human resources and infrastructure to ensure its profitability and credit rating in the long term. Operational incidents (e.g. natural disasters, accidents and terrorist action), which prevent the normal course of business, may lead to adverse economic consequences for the Guarantor. This similarly applies to a loss of personnel which cannot be compensated by counteractive measures, such as new hiring or transfer of personnel. The Guarantor tries to compensate for losses potentially caused by operational risk by utilizing hedging strategies. As such, the business risk describes the risk that these hedging strategies fail or that they are not able to compensate for all losses, which may have a negative effect on the financial situation and the business performance of the Guarantor. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List or as a Supervised Firm regulated by the Financial Services Authority.

3.4 Selected Financial Information

Below are set out some supervisory ratios of the Guarantor as well as selected financial and economic information relating to the Guarantor, the latter are an excerpt from the certified financial accounts for years ended 31 March 2008 and 2009 and from the published unaudited interim financial information for the six (6) month periods ended 30 September 2009 and 30 September 2008.

	As at 31 March 2009	As at 31 March 2008
	(£000s)	(£000s)
CAPITAL BASE		
Tier 1	240,825	222,329
Tier 2	—	—
Tier 3	—	—
TOTAL ELIGIBLE CAPITAL	240,825	222,329
Deductions: Connected lending of a capital nature	—	—
Adjusted Capital	240,825	222,329

	For the 6 months ended as at 30 Sep 2009	For the 12 months ended as at 31 Mar 2009	For the 6 months ended as at 30 Sep 2008	For the 12 months ended as at 31 Mar 2008
	(£000)	(£000)	(£000)	(£000)
Net interest income	8,181	57,438	33,315	74,412
Fees and commissions receivable less fees and commissions payable	2,811	2,273	1,274	2,092
Dealing profits	(223,308)	160,977	33,447	(3,356)
Operating Revenues	(212,316)	220,688	68,036	73,148
Operating Profit	(214,306)	217,997	66,234	70,446
Retained Profit for the Year	(154,300)	156,958	47,689	54,204
Financial assets held at fair value through profit and loss	14,983	233,512	549,659	694,500
Total Assets	7,325,045	6,218,524	4,857,625	4,588,329
Financial liabilities designated at fair value through profit and loss	3,348,972	1,857,055	2,494,517	2,032,067
Share Capital	170,000	170,000	170,000	170,000
Shareholders' Funds	279,191	433,491	324,222	276,533
Minority Interests	—	—	—	—
Dividends Declared per Share	—	—	—	—

The Guarantor reported a loss on ordinary activities before tax for the 6 month period ending as at 30 September 2009 of £214,306,000 (2008: a profit of £66,234,000).

The significant decrease in shareholder's funds is attributable to the impact of tightening credit spreads on the Guarantor's note issuance business. As the Guarantor's own credit is included in the fair value of the notes issued, the improvement of the credit market during the period has impacted the valuation of the Guarantor's financial liabilities. As credit spreads tightened the balance sheet value of notes issued has increased and shareholder's funds have decreased.

During the period the Guarantor has strengthened its balance sheet by moving away from the use of unsecured advances to affiliates. Instead, the Guarantor has lent to affiliates on a secured basis through the use of reverse repurchase transactions ("Securities purchased under agreements to resell"). As at 30 September 2009, the Guarantor has advanced approximately £6 billion through such transactions. It is the Guarantor's intention to continue to lend to affiliates on a secured basis.

The Guarantor outsources all of its support services under service level agreements to the related departments of the Issuer. The Treasury Department continues to manage the liquidity of the Guarantor and provide asset and liability management for the balance sheet.

The Guarantor's market and credit risk is managed through its Credit & Risk Management Committee. As at 30 September 2009 it is the directors' opinion that, with the exception of the move to secured lending detailed above, the Guarantor's principal risks and uncertainties have not changed from those disclosed in note 22 of the Guarantor's annual accounts for the business year ended 30 March 2009.

For the year ending 31 March 2010, the Guarantor will continue to focus on and expand its activities to support the global wholesale business of Nomura Holdings, Inc. and its subsidiary undertakings.

4 Business Overview

4.1 *Principal activities and markets*

The Guarantor's primary role is to support the Nomura Group's Global Wholesale Business and more specifically Global Markets.

In 2002, the Guarantor was re-positioned and focused on Fixed Income business, a division of Global Markets. Activities included accepting FX/credit linked deposits and credit linked note issuances. All services were outsourced to Nomura International plc, the largest European company in the Nomura Group and, as a result, the Guarantor decided not to retain any employees¹. Such services include, amongst others, the following services and functions: credit, finance, taxation, market risk management, information technology, legal, compliance, internal audit, disaster recovery and treasury.

Since 2002, the Guarantor's Global Markets Group has continued to expand its Derivatives Franchise and Structured Solutions business. The Derivatives Franchise business essentially deals with entering into transactions with equity, interest rate, foreign exchange rate, credit cash and derivative products. The Structured Solutions business includes the purchase of structured credit assets (including receivables, leases, insurance contracts, structured notes, project finance debt, government and quasi-government backed assets and public finance initiative deals), the provision and purchase of bridge and warehouse financing, deposit sub-participation and risk certificates, execution of funded transactions: i.e. structured credit.

¹ Except for David Young, Non-executive Director and Chairman of the Guarantor and Antonio Pironti, Non-executive Director of the Guarantor.

The Guarantor facilitates Nomura Group's global strategy by offering clients a wide range of solutions by taking and distributing risk through a broad spectrum of financial instruments including loans and other banking products.

In 2005, the Guarantor was positioned to facilitate international equity derivatives business and as a result the Guarantor has significantly increased its volume of note issuances.

From 2005, the Guarantor has significantly increased its level of business, as reflected in a notable increase of the total assets reported in the published financial statements of the Guarantor. This is mainly due to the receipt of proceeds from the issue of notes and certificates, principally arising from the International Equity Derivatives business.

The Guarantor's principal activities in the financial years ended 31 March 2008 and 2009 included:

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

The Guarantor conducts its business cross border from the United Kingdom in the world's principal financial regions, in particular in Europe, where the majority of business is carried out, Asia and the Pacific Area.

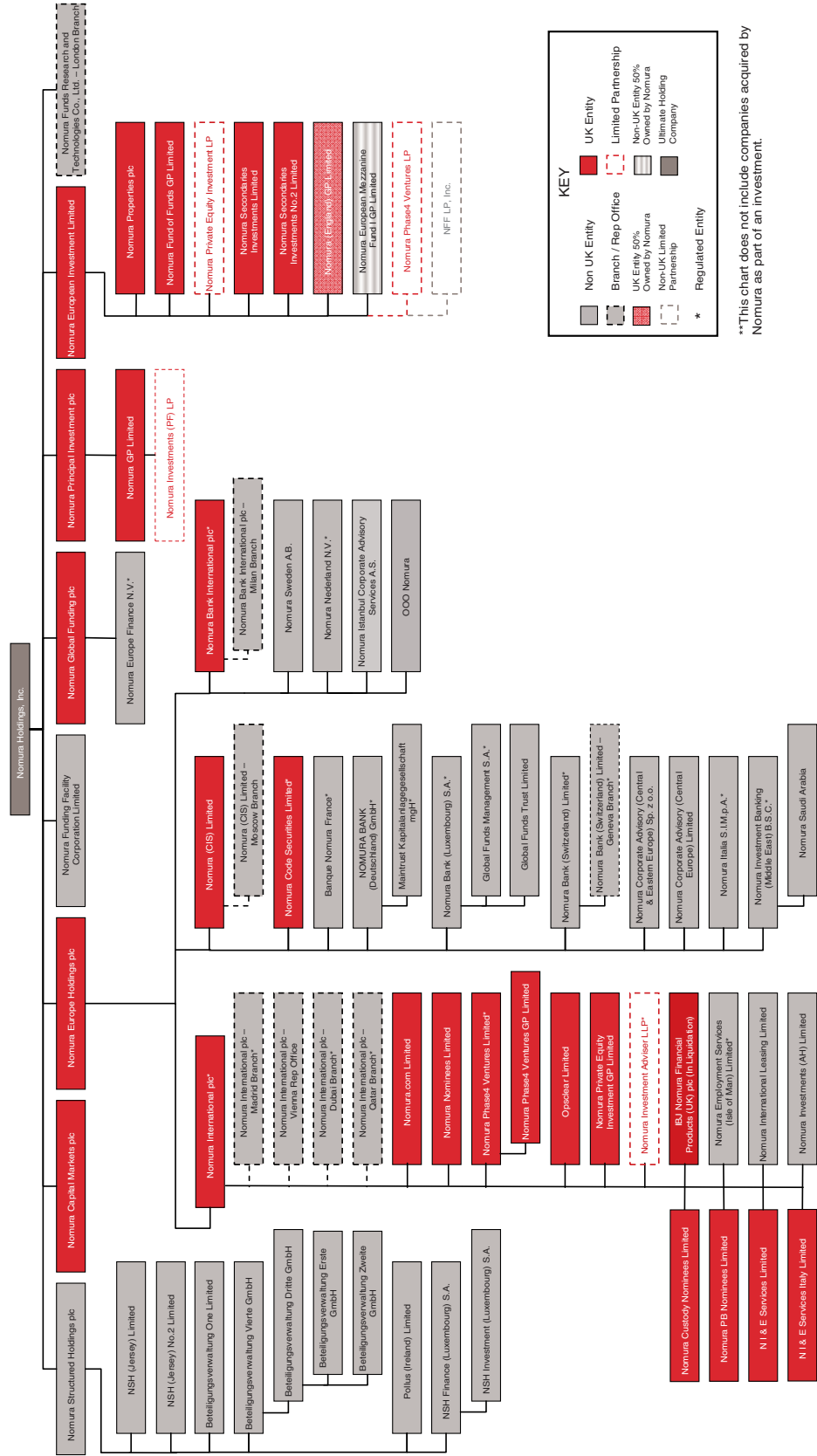
5 Organisational Structure

5.1 Description of the Group

The Guarantor's ultimate parent company and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings, Inc., which is incorporated in Japan. Nomura Holdings, Inc. is a holding company which manages financial operations for its subsidiaries (together "Nomura Group"). The Guarantor's position within the Nomura Group is shown in the following graph.

As of July 2009

NOMURA EUROPEAN STRUCTURE



Nomura Group is a global financial services group dedicated to providing a broad range of financial services for individual, institutional, corporate and government clients. Nomura Group offers a diverse line of competitive products and value-added financial and advisory solutions through its global headquarters in Tokyo, 171 branches in Japan, and an international network in over 30 countries; with regional headquarters in Hong Kong, London, and New York. In April 2008, the Bank of Italy confirmed the registration of the Guarantor's Italian branch allowing the Guarantor to establish its activities in Italy. Nomura Group's business activities include investment consultation and brokerage services for retail investors in Japan, and, on a global basis, brokerage services, securities underwriting, investment banking advisory services, merchant banking, and asset management. In March 2009, within its principal activities, the Guarantor sold its business line of short-term warehousing for senior European leveraged loans.

On 23 September 2008, the Nomura Group announced it had reached an agreement to acquire the European and Middle Eastern equities and investment banking operations of Lehman Brothers Holdings plc ("**Lehman**"). The acquisition provided the Nomura Group with a market leading equities and investment banking platform in the region and further enhance the Nomura Group's strategy of connecting Asia and Europe. Lehman's equities and investment banking businesses in Europe and the Middle East employed around 2,500 staff, of whom a significant proportion was retained by the Nomura Group. The transaction closed on 13 October 2008. Additionally, in order to strengthen and add to the Nomura Group's existing credit, interest rates and foreign exchange businesses, during early October 2008, the Nomura Group hired approximately 150 staff from Lehman's European fixed income flow and solutions businesses.

For the year ending 31 March 2010, the Guarantor will continue to focus on and expand its activities to support the Nomura Group's Global Wholesale Business.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company which is incorporated in the United Kingdom. The Guarantor currently has neither subsidiary undertakings nor minority shareholdings above 3%² of the share capital of other undertakings.

Below is set out the rating assigned to Nomura Holdings, Inc., parent company of the Nomura Group, as of the date of this document:

Rating Agency	Long-term Rating	Short-term Rating
Standard & Poor's	BBB+ ³	A-2 ⁴

As of the date of this document, no rating was assigned to Nomura Europe Holdings plc, which is the direct holding company of the Guarantor.

² This percentage represents the minimum threshold above which shareholdings are required to be disclosed to the competent UK authority, under Part 6 of the Financial Services and Markets Act 2000 and the Disclosure and Transparency Rule 5.

³ According to Standard & Poor's, an obligation rated "BBB" means the Guarantor has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. Within this category, certain obligors are assigned a plus (+) or minus (-). This reflects the position of such obligors in the relevant ranking.

⁴ An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

5.2 *Dependence within the Group*

Although the Guarantor is effectively a wholly owned subsidiary of Nomura Europe Holdings plc, its directors comply with criteria of proper and independent administration in the performance of their duties.

6 **Trend Information**

6.1 *Trend information, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Guarantor's prospects*

For the year ended 31 March 2009 the Guarantor's operating income before expenses was £220.7 million (2008 income of £73.1 million) and its profit before tax and provisions was £218.0 million (2008 profit of £70.4 million).

In 1998 the Guarantor sold its leasing business to a third party. The Inland Revenue has made an assessment for taxes and interest of £10m owed by that business, which currently is unpaid by the new owners. The Guarantor's directors have sought legal advice and believe that the assessment has been wrongly made against the Guarantor. The Guarantor has, therefore, appealed the assessment and intends vigorously to contest the matter.

The Guarantor had commitments as at 31 March 2009 amounting to £17,446,000 (2008: £48,217,071) in respect of undrawn note issuance facilities and loan commitments.

There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Guarantor's prospects.

6.2 *Material adverse changes in the Guarantor's prospects since the date of the last published audited financial statements*

There has been no material adverse change in the prospects of the Guarantor since the date of the last published audited financial statements for the financial year ended 31 March 2009.

7 **Administrative, Management and Supervisory Bodies**

7.1 *Name, business address and functions of the members of the management body*

A Board of Directors, chaired by a Non-Executive Independent Director, is in charge of the management of the Guarantor.

The table below contains the details of the members of the Board of Directors in office as at the date of this document, their role and the date of appointment⁵ The members of the Board of Directors do not perform activities outside the Guarantor which are significant with respect to the Guarantor:

Name	Office	Date of Appointment
David Young	Non Executive Director and Chairman	11 January 1996
John Phizackerley	Director and Chief Executive Officer	24 June 2009
Kenji Yokoyama	Director	3 March 2006
Sir Peter Walters	Director (Non-Executive)	4 December 2007
Antonio Pironti	Director (Non-Executive)	1 February 2008
Mark Basten	Director	13 March 2008
Mark R. Chapman	Director	13 March 2008
Paul Spanswick	Director	24 July 2002
Hiroshi Yoshizawa	Director	16 August 2007

The Audit Committee⁶ meets annually and is comprised of:

Name	Office
David Young	Non Executive Director and Chairman
Antonio Pironti	Director (Non-Executive)
Sir Peter Walters	Director (Non-Executive)

Day-to-day management of the Guarantor is carried out by the Executive Management Committee, whose objective is to develop and oversee business and operational strategies and policies, and to ensure corporate objectives of the Guarantor, in line with those of the Nomura Group, are achieved.

The Guarantor has outsourced the administration of its business under service level agreements to the related departments of Nomura International plc which is closely monitored by this Committee. The members of the Executive Management Committee are as follows:

Name	Office
John Phizackerley	President and Chief Executive Officer (Chairman)
Paul Spanswick	Co-Chief Administrative Officer, EMEA
Bill McGowan	IEC Representative
Simon Thorn	Head of Compliance
Ewen Crawford	Co-Head Core Operations, EMEA
Naeem Choudry	Global Co-Head, Funding, Risk and Cash Management
Devesh Mehta	Head of Finance Europe
Piers Le Marchant	Co-European General Counsel
Abdelkerim Karim	Head of Equity Structured Products, EMEA

⁵ The appointment is for an indefinite time.

⁶ Established on 7 May 1999.

Name	Office
Steven Marshall	Co-Head Structured Credit Trading
Kenji Yokoyama	Chief Administrative Officer, Nomura Asia Holding N.V.

Exposure to the four following categories of risk: market, credit, operational and reputational is managed by the Credit and Risk Management Committee⁸. The members of the Credit and Risk Management Committee are as follows:

Name	Office
Mark Basten	Global Credit Officer (Chairman)
John Phizackerley	President & Chief Executive Officer
Patrick Howard Paul Spanswick	Head of Risk Management Co-Chief Administrative Officer, EMEA
As appropriate	At least one other Executive Director
As appropriate	Business Representative/Deal Sponsor
Piers Le Marchant	Co-European General Counsel

The committee will be convened in the event of (or expectation of future) significant change in the risk profile of the Guarantor.

The business address for each person listed is Nomura House, 1, St. Martin's-le-Grand, London EC1A 4NP, United Kingdom.

7.2 *Potential conflicts of interests of the members of the management body*

There are no actual or potential conflicts of interest between any duties, owed to the Guarantor by the members of the Board of Directors, the Audit Committee, the Executive Committee and the Credit and Risk Management Committee and their private interests and/or other duties.

8 Major Shareholders

8.1 *Persons and entities exercising control over the Guarantor*

The Guarantor's share capital is GBP 170,000,000.

Nomura Europe Holdings plc holds 169,999,999 shares, each of them having a par value of £1, and Mr. Yugo Ishida holds 1 share.

Although the Guarantor is almost a wholly owned subsidiary of Nomura Europe Holdings plc, the Board of Directors operates in an independent capacity. In order to minimise the risk of any abuse of control within the group, all members of the Nomura Group have to follow the Code of Ethics. The Code of Ethics contains compliance regulations designed to ensure that all members of the Nomura Group act in a lawful manner and in the best interest of the group.

⁸ Established on 3 March 2006.

9 Risk Management

9.1 General

The Guarantor's activities involve both the assumption and transfer of certain risks which must be managed. The most important types of risk are market risk, credit risk (including issuer/loan credit risk, counterparty credit risk), liquidity risk and cash flow interest rate risk. Market risk includes currency risk, price risk and fair value interest rate risk.

9.2 The Role of Financial Instruments

The Guarantor's primary role is to support the Global Wholesale business of the Group headed by Nomura Holdings, Inc. (the latter together with its consolidated subsidiaries, the "**Nomura Group**"). To this end, the Guarantor issues debt with returns linked to equity, credit instruments or other indices. The Guarantor actively manages the resultant risk on a fair value basis using a combination of derivative and non-derivative financial instruments with the express intention of eliminating market risk arising from such transactions.

The Guarantor also continues to offer traditional banking products to facilitate Global Wholesale customer business such as credit facilities, guarantees and letters of credit.

In addition to the debt issuance noted above, the Guarantor obtains financing from capital, bank and inter-company borrowings.

9.3 Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks through its overall risk management approach and approval of risk strategies and principles.

Responsibility for risk reporting and control is undertaken by the following independent departments within Nomura International plc as well as committees set up within the Guarantor under the service level agreement with Nomura International plc.

9.4 Nomura International plc Committees/Departments

- The Capital Allocation Committee is a sub-committee of the Executive Committee and meets semi-annually to consider the level and allocation of capital resources across the company. This forum sets the appropriate internal risk and regulatory limits with the assistance of the departments listed below.
- The Treasury Department monitors compliance with the Guarantor's liquidity, currency and cash flow policies.
- The Corporate Risk Management Department monitors and reports compliance with internally set market risk limits.
- The Investment Evaluation and Credit Department monitors and reports compliance with internally set credit limits.
- The Finance Department monitors compliance with internally and externally set regulatory limits and guidelines.
- The Risks and Controls Department monitors, evaluates and conducts forensic investigations on operational risk issues and the internal control framework. It then reports on these to both the Audit Committee and the Executive Committee. The Risks and Controls department is independent from the Internal Audit function.

- The Internal Audit Department has independent reporting lines to the Chairman of the Audit Committee of the company's immediate parent. Internal audit performs a comprehensive review of systems and processes on a periodic basis.
- The Audit Committee assists in establishing and monitoring policies and procedures in relation to risk controls. It also monitors compliance with legislative and regulatory requirements, amongst others, as well as considering the adequacy of systems and controls as detailed under the out sourcing agreement with Nomura International plc.
- The Executive Management Committee under authority delegated by the Board of Directors is responsible for overseeing the management of the Guarantor. In this capacity it receives reports on a regular basis from the Credit and Risk Management Committee.
- The Credit and Risk Management Committee is a sub-committee of the Executive Management Committee. The Committee considers matters relating to credit, market, operational and reputational risk. The Guarantor's credit policy stipulates that any investment grade exposures which have not been hedged, collateralised or repackaged within 12 months of take-on must be fully hedged out to acceptable counterparties. Any non-investment grade risk may, subject to prior approval by the Nomura Bank International plc Credit and Risk Management Committee, be held for up to nine months after which time it will be hedged, repackaged or disposed.

9.5 *Risk Measurement and Reporting Systems*

Risk reporting and control is administered via the Management Information System (MIS) which provides daily financial indicators including profit and loss, Value-at-Risk ("**VaR**"), Nomura Capital Allocation Target ("**NCAT**"), inventory, regulatory capital, unsecured funding and all related limits. Monitoring is applied at all levels in the business hierarchy, specifically business strategy, trading desk, division and company wide. Trading desk and divisional granular and key risks are reported daily, weekly and monthly to senior management.

9.6 *Market Risk*

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, equity prices and Credit Spreads.

Within the Guarantor, the formal process for the management of Economic Capital (NCAT) is facilitated through the capital allocation agenda discussed by the Capital Allocation Committee on a semi-annual basis.

The primary mechanism for measuring and reporting market risk is a framework consisting of Value-at-Risk and numerous business focused risk limits, such as option risk factors.

The Guarantor transfers its risks to other Nomura Group companies using derivative products therefore the market risk is immaterial. No additional VaR disclosures have been made.

All statistical models, including VaR have a degree of uncertainty associated with assumptions employed.

9.7 Price Risk

The primary sources of price risk for the Guarantor arise from the issuance of debt with returns linked to equity, credit instruments or other indices. The Guarantor generally mitigates such risks through direct hedges or by transferring such risks to other Nomura Group companies using derivative products.

The management designates such debt instruments, together with related non-derivative hedges, as fair value through profit and loss. Related derivative hedges are accounted for as Held For Trading items.

9.8 Issuer/Loan Risk

The primary source of issuer/credit loan risk for the Guarantor arises from investments in secondary loans.

9.9 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. During the course of the Treasury Department's financing activities there is often a need to swap surplus flows in one currency into another, a process achieved using currency swap transactions. The Guarantor is exposed to currency risk in respect of certain foreign currency denominated transactions. The exposure is managed on a portfolio basis, and hedging strategies are used to ensure that positions are maintained within established limits. Hedge accounting is not applied.

9.10 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair market values of financial instruments. Fair value interest rate risk arises from mismatches between the future yield on financial assets and their associated funding costs as a result of interest rate changes. It is the Guarantor's policy to mitigate such risk through minimising the mismatch of the dates on which interest receivable on financial assets and interest payable on liabilities are next reset to the market rates or, if earlier, the date on which the instruments mature. Where applicable, derivatives transactions are used to reduce this interest rate gap. In accordance with the outsourcing contract, Nomura International plc's Treasury department monitors compliance with interest rate gap policies.

At 31 March 2009, the Guarantor had no significant exposure to fair value interest rate risk.

9.11 Credit Risk

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. Credit derivatives are also used to reduce exposure or to hedge credit risk with respect to issuers.

Nomura International plc's Investment Evaluation and Credit function is responsible for managing credit risks to which the Guarantor is exposed.

Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy setting the maximum exposure and tenor based on credit rating. The Guarantor uses a scale of internal ratings that mirrors the credit-rating agencies' rating scales. Changes to credit policy are presented to the Executive Management Committee.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue. The Guarantor trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

Counterparty exposure limits are set within the external Large Exposure limit requirements laid down by the Guarantor's regulator, the Financial Services Authority.

The Guarantor enters into netting agreements with certain counterparties to mitigate its exposure to credit loss. Amounts are only netted if there is a legal right to offset and the entity intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. The impact of offsetting financial assets and financial liabilities which are subject to netting agreements is not reflected in the balance sheet. At 31 March 2009, no transactions met this criteria.

Taking into account collateral and other credit enhancements, the significant credit risk is to Nomura International plc.

Due to the Guarantor's approach to mitigating risk, it is not exposed to any significant concentration risk other than that from other Nomura group companies.

9.12 Liquidity Risk

Liquidity risk represents the risk that the Guarantor will be unable to meet its financial obligations as they become due. This risk could arise from an inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to liquidate assets quickly and with minimal loss in value as well as a failure to manage unplanned changes in funding requirements. Liquidity risk could be due to both Nomura specific and market wide events.

The Guarantor manages liquidity to ensure all foreseeable financial obligations can be met as they fall due. This includes the repayment at maturity of securities issued as well as meeting commitments to lend and any obligations to pay funds due on derivative transactions.

Liquidity risk is controlled by a process that ensures that cumulative financing requirements are restricted to pre-set levels. The Guarantor's liquidity management includes monitoring balance sheet liquidity ratios against internal and regulatory requirements, projecting future cash flows and maintaining liquidity and funding contingency plans.

To ensure that the Guarantor has sufficient reserves to guard against any unforeseen event, the Treasury department operates within an unsecured funding limit that is set at a level significantly below what is estimated to be available.

In addition, a key operating principle of the Treasury Department is to withstand market shocks for periods lasting up to one year such that all funding requirements and unsecured debt obligations falling due within one year can be met without additional unsecured funding or forced liquidation of trading assets. This is achieved by maintaining sufficient long-term debt and equity to meet the cash capital requirements of all the Guarantor's assets; maintenance of liquidity portfolios comprising cash and highly liquid unencumbered assets that can be converted into cash to meet immediate liquidity requirements; diversification of funding sources by currency, product, investor base and maturity in order to minimise reliance on any one source; and contingency funding plans and committed unsecured credit facilities.

10 Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Situation and Profits and Losses

10.1 *Historical financial information*

The Guarantor's financial statements for years ended 31 March 2008 and 2009 were drawn up in accordance with the UK GAAP principles (as specified in the financial statements).

The Guarantor's annual accounts for the year ended 31 March 2009 together with the report of the Auditing Firm are attached as Exhibit B.

The Guarantor's financial statements are also available at the Guarantor's registered office in 1 St. Martin's-le-Grand, London EC1A 4NP, United Kingdom.

The annual accounts contain the following information:

- Directors report
- Statement of directors' responsibilities
- Independent auditors' report
- Profit and loss account
- Reconciliation of movement in shareholders' funds
- Balance Sheet
- Cash Flow Statement
- Notes to financial statements

10.2 *Date of the latest financial information*

The latest audited financial information refers to the fiscal year ended 31 March 2009.

10.3 *Interim and other financial information*

As of the date of this base listing document, the Guarantor has published no audited quarterly or half yearly reports since the date of its last audited financial statements dated 31 March 2009. However, the Guarantor's unaudited condensed financial statements for the six (6) months ended 30 September 2009 are attached as Exhibit C.

11 Legal, governmental and arbitration proceedings and significant change in the Guarantor's financial position

11.1 *Legal, governmental and arbitration proceedings*

Aside from the contested level of tax liability (as described in the paragraph of section 3.3 entitled '*Tax Liabilities*'), the Guarantor is not, and has not been involved in any legal, governmental or arbitration proceedings (including any proceedings which are pending or threatened of which the Guarantor is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position or profitability of the Guarantor and/or the Nomura Group.

11.2 *Significant change in the Guarantor's financial position*

There has been no significant change in the financial position of the Guarantor since the date of its last published interim unaudited financial information dated 30 September 2009.

11.3 *Significant change in the Nomura Group's financial position*

There has been no significant change in the financial position of the Nomura Group since the date of its last published annual report dated 31 March 2009.

12 Material contracts

In the ordinary course of its businesses, the Guarantor enters into a number of contracts with several entities. However, the Guarantor has entered into no material contract in the ordinary course of its business during the past two years.

SALES AND TRANSFER RESTRICTIONS

General

The Issuer has not taken or will not take any action that would permit a public offering of structured products or possession or distribution of any offering material in relation to the structured products in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any structured products, or distribution of any offering material relating to the structured products, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligations on the Issuer. You are required to inform yourself about, and to observe, all such applicable laws and regulations.

United States of America

The structured products have not been, and will not be, registered under the Securities Act. Structured products, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of structured products, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. The structured products will not be offered, sold or delivered within the United States or to U.S. persons. As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “**U.S. person**” means any national or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other U.S. person as such term is defined in Regulation S under the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **relevant member state**), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the **relevant implementation date**), no offer of structured products has been made or will be made to the public in that relevant member state except that the Issuer may, with effect from and including the relevant implementation date, make an offer of such structured products to the public in that relevant member state:

- (a) in the period beginning on the date of publication of a prospectus in relation to those structured products which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the prospectus directive and ending on the dates specified in such prospectus;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000; and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts;

- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Issuer and the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of structured products referred to in (b) to (e) above shall require the Issuer or any dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of structured products to the public** in relation to any structured products in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the structured products to be offered so as to enable an investor to decide to purchase or subscribe the structured products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

United Kingdom

All applicable provisions of the Financial Services and Markets Act 2000 (the **FSMA**) must be complied with in respect of anything done in relation to any structured products in, from or otherwise involving the United Kingdom. An invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) may only be communicated or caused to be communicated in connection with the issue or sale of any structured products in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Japan

The structured products have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the **FIEA**). No structured products has been or will be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

No person, other than a person permitted to do so under the securities laws of Hong Kong, has issued or had in its possession for the purposes of issue, or will issue, or have in its possession for the purposes of issue any advertisement, invitation or document relating to the structured products, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than with respect to structured products which are or are intended to be disposed of only to persons outside Hong Kong or only to “**professional investors**” within the meaning of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made thereunder.

FORM OF GUARANTEE

THIS DEED OF GUARANTEE is made on 15 December 2009 by Nomura Bank International plc (the **Guarantor**) in favour of each Indemnified Person (as defined below).

WHEREAS:

- (A) Nomura International plc (the **Issuer**), a public limited company incorporated in England and Wales, intends to issue from time to time structured products (the **Structured Products**) which will be listed on The Stock Exchange of Hong Kong Limited (the **Stock Exchange**);
- (B) the Issuer is an affiliate of the Guarantor; and
- (C) terms defined in the Conditions of the Structured Products (the **Conditions**) and not otherwise defined in this Deed of Guarantee shall have the same meanings when used in this Deed of Guarantee.

NOW THIS DEED WITNESSES as follows:

1. GUARANTEE

1.1 Guarantee

The Guarantor, pursuant to a resolution of its board of directors adopted on 13 November 2009, hereby unconditionally and irrevocably guarantees by way of deed poll the due and punctual payment or delivery of all monetary and delivery obligations of the Issuer owing to the beneficial holders of the Structured Products (the **Indemnified Persons**) in accordance with the terms and conditions of the Structured Products (collectively, the **Obligations**) promptly upon written demand made by the Indemnified Person to the Guarantor.

1.2 Indemnity

The Guarantor agrees as a primary obligation to indemnify each Indemnified Person from time to time on demand from and against any loss incurred by such Indemnified Person as a result of the Obligations being or becoming void, voidable or unenforceable for any reason whatsoever, whether or not known to such Indemnified Person, and the amount of such loss shall be the amount which such Indemnified Person would have otherwise been entitled to recover from the Issuer. The Guarantor further agrees that any sums of money that are due under this Guarantee and which may not be recoverable from the Guarantor as a result of legal limitation on or disability or incapacity of the Guarantor or any other fact or circumstance, whether or not known to the Guarantor, shall be recoverable from the Guarantor on an indemnity basis, and the Guarantor shall for purposes of this Guarantee be deemed to be a principal debtor.

1.3 Guarantor's Obligations

The Guarantor waives diligence, presentment, demand of payment from and protest to the Issuer with respect to the Obligations and also waives notice of dishonour. The obligations of the Guarantor under this Guarantee shall not be discharged or impaired or otherwise affected by (i) the failure or delay of any Indemnified Person to assert any claim or demand or to enforce any right or remedy against the Issuer, or any other indulgence or concession granted by such Indemnified Person to the Issuer or (ii) any other act, event or omission that, but for this provision, would or might operate to discharge, impair or otherwise affect any of the obligations of the Guarantor herein contained or any of the rights, powers or remedies conferred upon such Indemnified person by law.

1.4 Guarantor as Principal Debtor

The Guarantor further agrees that this Guarantee constitutes a guarantee of payment when due and not of collection. The Guarantor waives any right to require that any resort be had by any Indemnified Person to any security held by or on behalf of such Indemnified Person for payment of the Obligations, or such Indemnified Person make demand, proceed or take any other steps against the Issuer before claiming under the Guarantee, or, in the event that the Issuer becomes subject to any bankruptcy, winding-up, administration, reorganization or similar proceeding, that such Indemnified Person file any claim relating to the Obligations.

1.5 Waiver of Defences

The obligations of the Guarantor under this Guarantee shall not be subject to any defence of set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any Obligations, or any other defence that constitutes a legal or equitable discharge or defence of a guarantor or surety in its capacity as such, provided that nothing herein shall limit the ability of the Guarantor to assert any right of set-off, deduction or counterclaim that the Issuer is expressly entitled to assert under the Structured Products.

1.6 Validity of Guarantor's Obligations

The Guarantee shall continue in operation until 15 December 2010, unless revoked prior to such date by the Guarantor by giving written notice of termination to the Issuer. It is understood and agreed, however, that notwithstanding any such termination, this Guarantee shall continue in operation until no Obligations remain outstanding under any Structured Products. The Guarantor further agrees that this Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligations or interest thereon is avoided, reduced, rescinded or must otherwise be restored or returned by such Indemnified Person upon the bankruptcy, insolvency, dissolution or reorganization of the Issuer, and such Indemnified Person shall be entitled to recover the amount of any such payment from the Guarantor subsequently as if such settlement or discharge had not occurred. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of an Indemnified Person, whether from the Guarantor or otherwise.

1.7 Guarantor's Right of Subrogation

The Guarantor shall be subrogated to all rights of the Indemnified Person against the Issuer in respect of any amounts paid by or deliveries made by the Guarantor under this Guarantee, provided that the Guarantor shall not be entitled to receive any payments or deliveries arising out of, or based upon, such right of subrogation or any right of indemnity or other right until the payment of all moneys payable or delivery of all deliverables under this Guarantee have been made. If upon the bankruptcy, winding-up, administration, reorganization or similar proceeding of the Issuer, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Guarantor before payment in full of all moneys payable or delivery of all deliverables under this Guarantee shall have been made to such Indemnified Person, the Guarantor will promptly following receipt thereof pay or deliver such payment or distribution to such Indemnified Person for application to any Obligations owing to such Indemnified Person, whether matured or unmatured.

1.8 Status of Guarantee

The obligations of the Guarantor under this Guarantee in respect of the Structured Products constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

1.9 Power to Execute

The Guarantor hereby warrants, represents and covenants with each Indemnified Person that it has all power, that it has obtained all necessary governmental consents and authorisations, and that it has taken all necessary steps, in each case to enable it to execute, deliver and perform this Guarantee and that this Guarantee constitutes legal, valid and binding obligations of the Guarantor in accordance with its terms.

1.10 Deposit of Guarantee

This Guarantee shall take effect as a Deed Poll for the benefit of the Indemnified Persons from time to time and for the time being. This Guarantee shall be deposited with and held by the person appointed by the Issuer as agent for the Structured Products until all the obligations of the Guarantor have been discharged in full.

1.11 Production of Guarantee

The Guarantor hereby acknowledges the right of every Indemnified Person to the production of, and the right of every Indemnified Person to obtain (upon payment of a reasonable charge) a copy of, this Guarantee, and further acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Indemnified Person, and that each Indemnified Person shall be entitled severally to enforce the said obligations against the Guarantor.

2. NOTICES AND COMMUNICATIONS

All notices or communications under this Guarantee to the Indemnified Persons shall be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices or communications shall be deemed to have been given on the date of the first such publication.

3. GOVERNING LAW

This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with Hong Kong law.

4. JURISDICTION

The courts of Hong Kong are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee (including a dispute relating to any non-contractual obligations arising out of or in connection with it) and accordingly any legal action or proceedings (together referred to as the **Proceedings**) arising out of or in connection with this Guarantee may be brought in such courts. Nothing contained in this Guarantee shall limit any right to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any court of competent jurisdiction preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

IN WITNESS WHEREOF the Guarantor has executed as a deed poll this Guarantee as of the day and year first above written.

Executed as a deed by)
NOMURA BANK)
INTERNATIONAL PLC)
acting by)
acting under the)
authority of that company)

in the presence of:

Witness' signature

Name:

Address:

TAXATION

The comments below are of a general nature and are only a summary of the stamp duty and stamp duty reserve tax laws and practice currently applicable in the United Kingdom and the tax law and practice currently applicable in Hong Kong. Tax charges other than stamp duty and stamp duty reserve tax that may arise in the United Kingdom as a result of acquiring, holding and disposing of the structured products are not discussed below. The comments relate to the position of persons who are the absolute beneficial owners of the structured products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any structured product, you should consult your own tax advisers.

General

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price of each structured product.

Taxation in the United Kingdom

Stamp Duty

Issue

A global certificate constituting a series of structured products may be subject to United Kingdom stamp duty if it is executed in the United Kingdom or if it relates to any property situate, or to any matter or thing done or to be done, in the United Kingdom. However, in the context of retail covered warrants listed on the London Stock Exchange, HM Revenue & Customs (**HMRC**) has indicated that no charge to United Kingdom stamp duty will arise on the grant of such warrants. It is not clear whether HMRC would be prepared to take such a view in relation to a global certificate issued under this document.

If a global certificate is subject to United Kingdom stamp duty, there may be no practical necessity to pay that stamp duty as United Kingdom stamp duty is not an assessable tax. However, a global certificate which is not duly stamped cannot be used for any purpose in the United Kingdom; for example it will be inadmissible in evidence in civil proceedings in a United Kingdom court.

If a global certificate is subject to United Kingdom stamp duty, and it becomes necessary to pay that stamp duty (for example because this is necessary in order to enforce the document in the United Kingdom), interest will be payable (in addition to the stamp duty) in respect of the period from 30 days after the date of execution of the global certificate to the date of payment of the stamp duty. Penalties may also be payable if a global certificate which was executed outside the United Kingdom is not stamped within 30 days of first being brought into the United Kingdom. If any United Kingdom stamp duty is required to be paid, it would be payable at the rate of 0.5 per cent. by reference to the amount of consideration given for the issue of structured products represented by that global certificate.

Transfer

No United Kingdom stamp duty should be required to be paid on the sale of a structured product provided no instrument of transfer is used in order to complete the sale.

Exercise

No stamp duty will be payable on the exercise of any structured product.

Stamp Duty Reserve Tax

No stamp duty reserve tax will be payable on the issue, transfer or exercise of any structured product.

Taxation in Hong Kong

Profits tax

No tax is payable in Hong Kong by way of withholding or otherwise in respect of dividends of any company or in respect of any capital gains arising on the sale of any shares or structured products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp duty

Stamp duty is not chargeable upon the transfer of a call warrant (cash settled), a put warrant (cash settled), a basket call warrant (cash settled), a basket put warrant (cash settled), an index call warrant (cash settled), an index put warrant (cash settled) or a CBBC (cash settled).

Estate duty

No estate duty is payable on any payment or delivery under the structured products in Hong Kong.

INFORMATION ON THE LIQUIDITY PROVIDER

Will there be a market for the structured products?

The stock exchange requires the Issuer to provide liquidity in the structured products to ensure that there will always be a market price available for the purchase and sale of the structured products (subject to the circumstances described below). You should read the relevant supplemental listing document for information about the liquidity providers.

What is a liquidity provider?

The liquidity provider is a stock exchange participant and is therefore subject to prudential and conduct regulation by the stock exchange and the Securities and Futures Commission. The liquidity provider has agreed to act as the agent of the Issuer in providing liquidity in the structured products. If the liquidity provider is unable to perform its functions, the Issuer will appoint a substitute liquidity provider for the structured products.

How will the liquidity provider provide liquidity?

The liquidity provider will use its reasonable endeavours to make a market in the structured products by responding to requests for bid and offer prices. You can request for a price by calling the relevant liquidity provider. Please refer to the relevant supplemental listing document for details.

All quotes will be displayed on the designated stock page for the structured products. The liquidity provider will provide quotes with a maximum spread (where 'spread' is as prescribed under the rules of the stock exchange) between bid and offer prices, for a minimum number of board lots of the structured products. The applicable maximum spread and minimum number of board lots will be specified in the relevant supplemental listing document. The liquidity provider will provide you with prices for the structured products in the secondary market during the life of the structured products. Such prices will be available on each business day on which the structured products are traded on the stock exchange from five minutes after

each morning trading section or after trading commences for the first time on any business day until the end of the Continuous Trading Session as defined in the rules of the stock exchange.

How are the prices calculated?

Any price provided by the liquidity provider on the Issuer's behalf will be based on the pricing model of the Issuer which takes into account such factors as the Issuer deems appropriate, including, without limitation, the volatility and price or level of the underlying, the time left to the expiry of the structured products, the exercise price of the structured products, the dividend history of the shares and the prevailing interest rate climate.

Are there circumstances that the liquidity provider cannot provide liquidity?

There will be circumstances under which the liquidity provider may not be able to, and will not be obliged to, provide liquidity. Such circumstances may include:

- (i) when the structured products are suspended from trading for any reason including, but without limitation, as a result of the shares being suspended from trading;
- (ii) when there are no structured products available for market making activities by the liquidity provider (in which event, only a bid price for the structured products will be available), and for the avoidance of doubt, in determining whether structured products are available for market making activities, structured products held by the Issuer or any of the affiliates of the Issuer in a fiduciary or agency (as opposed to proprietary) capacity shall be deemed to be not available for market making activities;
- (iii) if the liquidity provider is not able to short sell the underlying (in which case for a put structured product an offer price will not be available and for a call structured product a bid price will not be available);

- (iv) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the stock exchange from time to time;
- (v) if it is a public holiday in Hong Kong and the stock exchange is not open for dealings;
- (vi) in the case of warrants, during the period of five business days immediately prior to the expiry date of the warrants or, in the case of CBBCs, on the expiry date of the CBBCs;
- (vii) operational and technical problems affecting the ability of the liquidity provider to provide liquidity or operational and technical problems affecting the proper functioning of the stock exchange;
- (viii) if the stock market experiences exceptional price movement and volatility, i.e. during fast markets;
- (ix) the occurrence of market disruption events, including, without limitation, any suspension of or limitation imposed on trading (caused by movements in price exceeding limits permitted by the relevant exchange or otherwise) in the underlying or any structured products, options contracts or futures contracts relating to the underlying;
- (x) when the ability of the liquidity provider acting on behalf of the Issuer to source a hedge or unwind an existing hedge, as determined by the liquidity provider in its discretion acting in good faith, is materially affected by prevailing market conditions (in which case either only a bid price or only an offer price of the structured products shall be made but not both); and
- (xi) when the theoretical value of each structured products (as determined by the liquidity provider based on the pricing model) is less than HK\$0.01, then the liquidity provider will not be obliged to provide a bid price for the structured products.

GENERAL INFORMATION

Are the Issuer and the Guarantor regulated by any bodies under the rules?

The Issuer is regulated by the United Kingdom Financial Services Authority and subject to the reporting requirements of the U.S. Securities and Exchange Commission. The Guarantor is regulated by the United Kingdom Financial Services Authority.

Have the Issuer and the Guarantor been rated by any credit rating agency?

As at the date of this document, the short term debt of the Issuer was rated P-2 by Moody's Investors Service, Inc. and the long term debt of the Guarantor was rated A- by Standard and Poor's Ratings Group.

Are the Issuer and the Guarantor involved in any litigation?

As at the date of this document and except as set out in the "Information about the Issuer" and "Information about the Guarantor" sections and/or the "Exhibits" of this document, the Issuer, the Guarantor and their group companies are not involved in any litigation, claims or arbitration proceedings which are material in the context of the issue of the structured products, and the Issuer and the Guarantor are not aware of any such proceedings or claims which are threatened or pending against the Issuer, the Guarantor or their group companies.

Has there been any material adverse change?

Except as set out in the "Information about the Issuer" and "Information about the Guarantor" sections and/or the "Exhibits" in this document, there has been no material adverse change in the financial or trading positions of the Issuer, the Guarantor or their group companies since 31 March 2009.

If, after the date of this document, you receive this document or purchase any structured products issued pursuant to this document you should not assume that there have been no changes in the Issuer, the Guarantor or their group companies' affairs or financial conditions since the date of this document.

You should ask the Issuer or the Guarantor if they have published any addenda to this document or any subsequent base listing document relating to the programme. Any such addenda will be available for inspection in the manner described under the section headed "*Where can you find out information about the Issuer and the Guarantor?*" below.

Has the Guarantor authorised the giving of the Guarantee?

The giving of the Guarantee of the Guarantor dated 15 December 2009 was approved by a resolution of the Guarantor's board of directors dated 13 November 2009.

Who is authorised to give information or make representations?

No person has been authorised to give any information or make any representations other than those contained in this document and the applicable supplemental listing document. If any person gives any such information or makes any such representations you should not rely on them as having been authorised by the Issuer and/or the Guarantor.

Who are the authorized representatives of the Issuer?

The authorized representatives of the Issuer are Lorraine Ng and Hugh Murray whose address is 30th Floor, Two International Finance Centre, 8 Finance Street, Hong Kong.

Who has been authorized to accept service of process on the Issuer and the Guarantor?

The authorized representatives of the Issuer (Lorraine Ng/Hugh Murray whose address is 30th Floor, Two International Finance Centre, 8 Finance Street, Hong Kong) have been authorized to accept service of process and any other notices required to be served on the Issuer and/or the Guarantor.

Who makes determinations and calculations?

The Issuer will make any necessary determinations or calculations in respect of the structured products.

Where can you find out information about the Issuer and the Guarantor?

You can find out more about the Issuer and the Guarantor on the website of the group of companies to which they belong, which is www.nomura.com.

You may also inspect copies of the following documents at 30th Floor, Two International Finance Centre, 8 Finance Street, Hong Kong during the period in which the structured products are listed on the stock exchange:

- (a) a copy of this document and any addendum to this document (both the English version and the Chinese translation);
- (b) the latest publicly available annual report and interim report or quarterly financial statements (if any) of the Issuer and the Guarantor; and
- (c) copies of the consent letters of the auditors of the Issuer and the Guarantor referred to in this document.

Are there any experts/auditors involved?

The auditors of the Issuer and the Guarantor, Ernst & Young LLP, have given and have not withdrawn their written consent to the inclusion of their reports in this document in the form and context in which they are included. The reports were not prepared for incorporation in this document. The auditors of the Issuer and the Guarantor do not have any shareholding in the Issuer or the Guarantor or in any members of the group, nor do the auditors of the Issuer or the Guarantor have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities or securities in any members of the group.

Do the stock exchange and the Securities and Futures Commission charge any fees?

The stock exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.004 per cent. in respect of each transaction effected on the stock exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the relevant securities. The levy for the investor compensation fund is currently suspended. Under the terms and conditions of the structured products, you are required to pay all charges arising on the transfer of underlying shares following the exercise of structured products.

How are dealings in the structured products settled?

Dealings in the securities on the stock exchange are required to be settled within two trading days from the transaction date. Such settlement can either be effected by physical delivery of the certificates and executed instruments of transfer or, if the securities are admitted for deposit, clearing and settlement in the CCASS, through CCASS. Dealings in the structured products will take place in the relevant Board Lots in Hong Kong dollars. You should refer to the terms and conditions of the relevant structured products for further details.

EXHIBIT A

ANNUAL REPORT OF THE ISSUER FOR THE YEAR ENDED 31 MARCH 2009

Page references in this Exhibit A refer to pages in the annual report.

NOMURA INTERNATIONAL PLC

ANNUAL REPORT

31 MARCH 2009

COMPANY REGISTERED NUMBER 1550505

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2009

DIRECTORS' REPORT

The Directors of Nomura International plc ("the Company") present their report and the financial statements for the year ended 31 March 2009.

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.

Transactions and balances with the Company's related parties are set out in note 28 to the financial statements.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company is the London based securities broker/dealer operating company within the Nomura Group headed by Nomura Holdings, Inc. The Company's 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 and private equity.

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

	<u>Year ended</u> 31 March 2009	<u>Year ended</u> 31 March 2008	<u>Movement</u>
	£'000	£'000	%
Trading (loss) / profit	(208,563)	297,409	(170%)
Loss on ordinary activities before taxation	(1,348,714)	(431,819)	212%
Loss on ordinary activities after taxation	(1,300,415)	(313,352)	315%
Shareholders' funds	1,156,855	998,106	16%
 Average number of employees	 3,058	 1,218	 151%

In October 2008, the Nomura Group acquired the non-US operations of the Lehman Brothers' Inc group ("Lehman Brothers") by way of transfer of the majority of employees in the Asia-Pacific region, as well as the majority of employees in its equities and investment banking businesses in Europe and the Middle East, certain of its fixed income personnel in Europe and its specialized service companies in India, to expand and enhance its wholesale operations. The transactions did not include any trading assets or trading liabilities of Lehman Brothers.

To support the expansion in the Middle East, the Company established branches in Dubai and Qatar on 12 January 2009 and 28 May 2009 respectively. In addition the Company has a branch sales office in Spain and a representative office in Vienna.

In addition to the increased employee costs following the Company's acquisition of Lehman Brothers European and Middle East businesses, the failures and problems of financial institutions have resulted in further losses for the Company as a consequence of defaults on securities issued by them and defaults under bilateral derivatives and other contracts entered into with such entities as counterparties. During the period to 31 March 2009, market conditions led to the failure or merger of a number of prominent financial institutions, including monoline insurers (note 21 – exposure to monoline insurers), which impacted the performance of the Company's fixed income business.

As a result of these events, the Company reported a loss on ordinary activities before tax of £1,348,714,000 in the financial year ending 31 March 2009 (2008: loss of £431,819,000).

NOMURA INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****DIRECTORS' REPORT (CONTINUED)****REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (CONTINUED)**

In light of the significant fall in trading profit and to support future business growth, the Company issued £1,425,000,000 of ordinary shares to its immediate parent company Nomura Europe Holdings plc during the period to 31 March 2009. Further parental support has continued post the balance sheet date, when a further £275,000,000 of ordinary shares and £1,000,000,000 of subordinated debt were issued to Nomura Europe Holdings plc in April 2009.

On 6 June 2008, the Company received determination of the amount of damages due in its proceedings against the Czech Republic in relation to the Czech Republic's actions pertaining to IPB, as disclosed in the Company's contingent liabilities and commitments notes for previous financial years. Damages were awarded at CZK 2.8 billion (£92m) plus interest, and a payment of CZK 3.6 billion (£119m) was received on 1 July 2008.

The Directors believe that the successful integration of the former Lehman Brothers operations into existing businesses, and realising the synergistic and other benefits from the integrated businesses, will be fundamental to the Company's strategy and financial success over the coming years.

Maximising global derivative business synergies continue to be a focus for the Nomura Group. During the period to 31 March 2009 and the year proceeding this the Company transferred a significant portion of its equity and credit derivative market risk to Nomura Capital Markets plc, a comprehensive derivatives service company with centralised operational and risk management facilities.

The Lehman Brothers acquisition has further increased the geographical reach of the Nomura Group and the Company hope to see expansion in Cross Border business activities particularly within Asia. Growth in the use of Nomura Group's service-related firms in India will assist the company in realising both cost reduction and productivity increases in the coming period.

RISK MANAGEMENT

Market and credit risk is managed by the Company through its Risk Management Committees and sub-Committees respectively. A wide range of models and techniques are used to manage market risk, some of which are proprietary and others which are widely used in the market. The Company manages operational risk primarily through the Audit Committee. In addition, conflicts issues, legal and reputational risk and any other risks are managed through dedicated committees.

The principal risks facing the Company and further risk management information are described in note 21 to the financial statements.

EMPLOYEE MATTERS

The Company's aim is to ensure each and every individual is shown respect, treated fairly, consistently and courteously and has equal access to further opportunity and reward based on contribution to the Company.

The Company operates an equal opportunities policy. The Company has taken steps to ensure all employees are fully aware of their obligations in ensuring that the environment remains an atmosphere that promotes and is conducive to good working and encourages high standards of conduct and work performance. The Company is committed to taking positive action to promote equality of opportunity, which includes provision for disabled people and those who have become disabled whilst employed by the Company.

The Company's recruitment, training and promotion procedures are all based on the requirements of a particular position and appointing the best person for the job.

NOMURA INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****DIRECTORS' REPORT (CONTINUED)****EMPLOYEE MATTERS (CONTINUED)**

Full internal communication and access to training and development opportunities support this philosophy.

ENVIRONMENT

As a group, Nomura is keen to follow environmental best practice guidelines and do what it can to reduce its environmental impact.

Environmental policy is a key consideration in managing our premises. The transformation of Nomura House through the extensive refurbishment programme and the implementation of an ambitious environmental policy have led to many initiatives that reduce energy consumption and manage waste efficiently. Nomura House was awarded ISO 14001 Certification, the international standard for environmental management systems, demonstrating Nomura's continued commitment to the environment. At our Bank Street premises in Canary Wharf, working with the building management team there, we are adopting the good energy and waste management practices already in place as well as developing Nomura lead initiatives to support our commitment.

RESULTS AND DIVIDEND

The results for the year are set out on page 8. The loss transferred to reserves for the year amounted to £1,300,415,000 (2008: loss of £313,352,000).

No interim dividends were paid (2008: £Nil) and the Directors do not recommend the payment of a final dividend (2008: £Nil).

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are shown in note 10 to the financial statements. Additions in the year relate to the ongoing refurbishment of the Company's business premises at Nomura House and fixed assets pertaining to their acquisition from Lehman Brothers.

On 29 April 2008 the Company sold the majority of its tangible fixed assets to Nomura Properties plc, its landlord, as part of the proposed sale and leaseback of its premises, Nomura House.

DIRECTORS AND THEIR INTERESTS

The Directors during all or part of the year were:

Yugo Ishida	President and Chief Executive (resigned as director on 26 March 2009, Chief Executive on 3 February 2009)
Lord Marshall of Knightsbridge	Chairman (Non-Executive Director)
Sadeq Sayeed	Chief Executive (appointed as director on 27 October 2008, Chief Executive on 3 February 2009)
Sir Peter Walters	Non-Executive Director
Masanori Itatani	Non-Executive Director
Masafumi Nakada	Non-Executive Director
David Farrant	Executive Director (appointed on 15 January 2009)
David Benson	Executive Director (appointed on 22 January 2009)
Kenji Kimura	Executive Director
Paul Spanswick	Executive Director
Yugo Ishida owns one share in the Company and of the following subsidiary, Nomura Nominees	

Limited on trust for the Company.

NOMURA INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2009

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INDEMNITIES

It is the Company's holding company's policy to issue qualifying third party indemnity provisions to those directors serving on the boards of the Company and certain of its associated companies, in accordance with the Company's articles of association.

During the year the Company paid a premium for a contract insuring the Directors and officers of Nomura International plc, its subsidiaries and other Nomura European entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the Company itself to the extent that it is obligated to indemnify Directors and officers for such liability.

DONATIONS

No political donations were made during the year (2008: £Nil). Charitable donations of £51,500 (2008: £94,870) have been made.

CREDITORS' PAYMENT POLICY

It is the policy of the Company to meet industry standard terms of transaction related payments or to pay in accordance with the terms agreed with suppliers when orders for goods or services are placed. Creditor days as at 31 March 2009 were 14 (2008:14).

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 3. 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.

BY ORDER OF THE BOARD

Denise Dillon
Company Secretary

Date 22 July 2009

NOMURA INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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). The financial statements are required by law to 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 UK 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 it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

NOMURA INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL PLC**

We have audited Nomura International plc's financial statements for the year ended 31 March 2009, which comprise the profit and loss account, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds, balance sheet and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

NOMURA INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA INTERNATIONAL
PLC (CONTINUED)****OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP Signed
Registered Auditor
London

Date: 24 July 2009

NOMURA INTERNATIONAL PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

Note	<u>Year ended</u> <u>31 March 2009</u>		<u>Year ended</u> <u>31 March 2008</u>	
	£'000	£'000	£'000	£'000
1(d), 2		(208,563)		297,409
3		(2,309)		2,314
		<hr/>		<hr/>
		(210,872)		299,723
	Exceptional gain on IPB settlement	119,466		-
1(e), 4	Interest receivable and similar income	1,070,639		1,306,303
1(e), 4	Interest payable and similar charges	(1,146,213)		(1,444,080)
	Other finance income	<hr/>		<hr/>
		-		491
	Net interest payable	(75,574)		(137,286)
5	Restructuring cost	(21,971)		-
	General and administrative expenses	(1,031,910)		(465,070)
		<hr/>		<hr/>
	OPERATING LOSS	(1,220,861)		(302,633)
	Interest payable on subordinated borrowings	(127,853)		(129,186)
		<hr/>		<hr/>
6	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,348,714)		(431,819)
8	Tax credit on loss on ordinary activities	48,299		118,467
		<hr/>		<hr/>
	LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(1,300,415)</u>		<u>(313,352)</u>

The notes on pages 13 to 73 form part of these financial statements.

Information on the turnover and operating profit of operations acquired during the year as per FRS 3 cannot be provided. This is because these elements have been integrated into the existing business and cannot be separately identified.

All profits and losses in the prior year were derived from continuing activities.

NOMURA INTERNATIONAL PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009

Notes	<u>2009</u>	<u>2008</u>
	£'000	£'000
	(1,300,415)	(313,352)
7	(2,600)	(686)
15	(3,221)	(2,691)
8	2,493	2,897
1(f)	791	8,407
1(f),20	2,181	3,057
8	(832)	(3,439)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	(1,301,603)	(305,807)

The notes on pages 13 to 73 form part of these financial statements.

NOMURA INTERNATIONAL PLC

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2009**

Notes		<u>2009</u> £'000	<u>2008</u> £'000
	Loss for the financial year	(1,300,415)	(313,352)
	Other recognised gains and losses relating to the year:		
7	Actuarial loss on pension scheme	(2,600)	(686)
15	Movement on deferred tax relating to pension liability	(3,221)	(2,691)
8	Movement on current tax relating to pension liability	2,493	2,897
1(f),20	Gain on available-for-sale investments	791	8,407
1(f),20	Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	2,181	3,057
8	Movement on current tax relating to movements on available-for-sale investments	(832)	(3,439)
19	New share capital subscribed	1,425,000	200,000
20	Movement on share-based payment reserve	35,352	42,977
	Net addition to/(decrease in) shareholders' funds	<hr/> 158,749	<hr/> (62,830)
1(b)	Opening shareholders' funds	998,106	1,060,936
	Closing shareholders' funds	<hr/> 1,156,855	<hr/> 998,106

The notes on pages 13 to 73 form part of these financial statements.

NOMURA INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2009

Note		<u>2009</u> £'000	<u>2009</u> £'000	<u>2008</u> £'000	<u>2008</u> £'000
FIXED ASSETS					
9	Intangible fixed assets	33,533		-	
10	Tangible fixed assets	75,168		63,495	
11	Fixed asset investments	14,749		10,272	
12	Available-for-sale investments	5,276		16,744	
			128,726		90,511
CURRENT ASSETS					
1(f),12	Financial assets held for trading	122,584,693		42,538,386	
1(f),12	Financial assets designated fair value through profit and loss	126,049		83,465	
12	Collateral paid for securities purchased under agreements to resell	39,136,656		27,247,615	
12	Collateral paid for securities borrowed	8,339,653		8,399,614	
12,14	Other debtors	18,905,667		7,117,239	
12	Investments - time deposits	5,581,010		4,366,570	
12	Cash at bank and in hand	2,071,434		161,168	
		196,745,162		89,914,057	
CREDITORS (amounts falling due within one year)					
1(f),12	Financial liabilities held for trading	(112,715,362)		(36,844,388)	
1(f),12	Financial liabilities designated fair value through profit and loss	(95,021)		(98,959)	
12	Collateral received for securities sold under agreements to repurchase	(43,076,546)		(27,357,728)	
12	Collateral received for securities loaned	(4,919,580)		(6,562,504)	
12,17	Subordinated debt	(212,500)		(600,000)	
16, 22	Other creditors	(32,566,824)		(15,824,299)	
		(193,585,833)		(87,287,878)	
NET CURRENT ASSETS			3,159,329		2,626,179
TOTAL ASSETS LESS CURRENT LIABILITIES			3,288,055		2,716,690
CREDITORS (amounts falling due after more than one year)					
12,17	Subordinated debt		(2,101,000)		(1,713,500)
15	Deferred taxation		-		(2,084)
18	Provisions for liabilities and charges		(30,200)		(3,000)
NET ASSETS			1,156,855		998,106

NOMURA INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2009 (CONTINUED)

Note		<u>2009</u> £'000	<u>2008</u> £'000
	CAPITAL AND RESERVES		
19	Called up share capital	2,443,816	1,018,816
20	Capital redemption reserve	121,612	121,612
20	Available-for-sale reserve	4,838	2,698
20	Share-based payment reserve	78,329	42,977
20	Profit and loss account	(1,491,740)	(187,997)
		<hr/>	<hr/>
	SHAREHOLDERS' FUNDS - Equity	<u>1,156,855</u>	<u>998,106</u>

APPROVED BY THE BOARD ON: Date 22 July 2009

Director

The notes on pages 13 to 73 form part of these financial statements.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

1. ACCOUNTING POLICIES

(a) **Basis of Accounting**

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the inclusion of trading securities, derivatives and other financial instruments at fair value in accordance with applicable accounting standards, as defined in note c below.

The Company has taken advantage of the exemption contained within the Companies Act 1985 from having to prepare consolidated financial statements since it is a wholly owned subsidiary of Nomura Europe Holdings plc, a company registered in the UK. These financial statements have been prepared on a company only basis.

(b) **Accounting Changes and New Accounting Pronouncements**

The Company has adopted the amendments to FRS 17 "Retirement Benefits" with effect from 1 April 2008.

The prior year defined benefit liability need not be revalued as the change to calculating the fair value of the plan's assets using current bid value, rather than mid-market value, represents a change in estimation technique rather than a change in accounting policy.

The amendments to FRS 17 require additional disclosures to be made in the statutory accounts, and do not require disclosure of the numerical impact of this change in estimation technique.

(c) **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-trading securities and derivatives is based on quoted market prices on exchanges or other broker/dealer quotations.

Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider contractual terms, position size, underlying asset prices, interest rates, dividend rates, time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to counterparty and the Company's own credit risk, the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process. The valuation technique used maximises the use of market inputs and minimises the use of entity-specific inputs which are unobservable in the market.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(c) Fair Value of Financial Instruments (continued)(i) Valuation of fair value instruments (Continued)

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, 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.

(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 the profit and loss account.

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 only recognised in the profit and loss account when the inputs become observable, or when the instrument is derecognised.

(iii) Fair value option

Certain financial instruments may be designated at fair value by management when one of the following criteria is met:

- 1) The financial instrument contains an embedded derivative that significantly modifies the cash flows resulting from the financial instrument; or
- 2) Fair value will eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring related financial instruments on different bases; or
- 3) The financial instrument is part of a group of financial instruments both managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. Information about these financial instruments is provided internally on a fair value basis to the Company's key management personnel.

The fair value option election is undertaken on a product-by-product basis. This only applied to those instruments that meet one or more of the above criteria, where fair value would provide a fairer representation of the risks associated with those instruments. Once made, the fair value option election is irrevocable.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(d) Trading (Loss)/Profit(i) Principal Transactions Income and Expenses

Principal transactions income and expenses include realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities, private equity and profits on disposals of related party investments. 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 a deduction from trading profit to more fairly represent dealing profit and commission sharing agreements.

(ii) Fees and Commission Income and Expenses

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

Trading (loss)/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 balance sheet in accordance with the presentation requirements of FRS 25.

(e) Interest Receivable and Interest Payable

Interest receivable and payable includes dividends and interest paid and earned on securities positions interest on financial instruments designated at fair value through profit or loss instruments, carried at amortised cost including securities bought and sold under repurchase agreements and amounts receivable and payable on bank deposits and bank borrowings.

Interest receivable and payable is recognised in the profit and loss account using the effective interest rate method for interest bearing financial assets and liabilities carried at amortised cost.

The effective interest rate 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 transaction costs, and discounts or premiums that are integral to the effective interest rate.

(f) Financial Instruments

Financial instruments within the scope of FRS 26 are classified either as financial assets or liabilities at fair value through profit or loss, loans and receivables, financial liabilities at amortised cost, available-for-sale investments or held-to-maturity investments.

The Company determines the classification of its financial assets on initial recognition depending on the purpose for which the financial instruments were acquired and their characteristics. For hybrid instruments, the Company considers whether a contract contains an embedded derivative when the entity first becomes party to it, and determines the appropriate classification at this time.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (continued)

In accordance with FRS 26, all financial instruments are initially measured at fair value.

(i) **Financial instruments at fair value through profit or loss**

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

a. Financial instruments held for trading

Financial assets and liabilities 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 trade date basis. Derivatives, including separated embedded derivatives, are also classified as held for trading.

Derivative instruments, as detailed in note 21, are used for trading and risk management purposes. In accordance with FRS 26, 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 balance sheet.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. The majority of hybrid contracts are designated at fair value through profit or loss as described below. However, where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the fair value option is not elected, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the profit and loss account.

b. Financial instruments designated at fair value through profit and loss

Any financial asset or financial liability within the scope of FRS 26 may be designated when initially recognised as a financial asset or financial liability at fair value through profit or loss, assuming the criteria described in note 1(c) (iii) are met, except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The Company applies the fair value option to the following instruments:

- Loans and receivables which are risk managed on a fair value basis: The Company elects the fair value option to mitigate income statement volatility caused by the difference in measurement basis for loans and receivables and the derivatives used to risk manage those instruments;
- Structured notes held and issued: The fair value option is elected primarily to mitigate the income statement volatility caused by differences in the measurement basis for structured notes and the derivatives used to risk manage those positions;
- Financial liabilities associated with continuing involvement in assets derecognised under FRS 26: The fair value option is elected to mitigate income statement volatility which would arise between these liabilities and their related assets which are measured at fair value;

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (continued)

- Prepaid OTC Contracts: These are transactions for which an initial investment of greater than 90% of the notional of the embedded derivative has been paid or received. The risk on these financial instruments, both financial assets and financial liabilities, is primarily hedged using financial instruments categorised as held for trading; and
- Other Financial Liabilities: These include financial liabilities such as those that arise upon the consolidation of certain special purpose entities and those that arise as a result of continuing recognition of certain financial assets and the simultaneous recognition of an associated financial liability.

Financial instruments designated at fair value are generally recognised on a settlement basis, when the Company becomes party to the contractual provisions of the instrument.

When a fair value financial asset or liability is recognised initially, the Company measures it at its fair value and transaction costs are taken directly to the profit and loss account. If a reliable measure becomes available for a financial asset or liability where such a measure was not previously available, and the asset is required to be measured at fair value if a reliable measure is available, the asset or liability shall be remeasured at fair value and the difference between its carrying amount and fair value recognised in profit and loss. All reliably measurable fair value financial assets and liabilities are subsequently held at fair value until derecognition.

Gains or losses on financial instruments at fair value through profit and loss, including gains and losses due to changes in fair value, are recognised in profit and loss within trading profit.

(ii) **Financial instruments at amortised cost****a. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised on settlement date at fair value, including any direct and incremental transaction costs. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables include collateral paid for securities purchased under agreements to resell and collateral paid for securities borrowed described below.

b. Financial liabilities at amortised cost

Financial liabilities at amortised cost include financial obligations such as collateral received for securities sold under agreements to repurchase, collateral received for securities loaned, subordinated debt, commercial paper as well as other short-term creditors. Financial liabilities at amortised cost are initially recognised on settlement date. After initial measurement, these instruments are subsequently measured at amortised

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (continued)**b. Financial liabilities at amortised cost (continued)**

cost using the effective interest rate 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.

Collateral received for securities sold under agreements to repurchase and collateral received for securities loaned are further discussed below.

c. Collateral paid for securities purchased under agreements to resell and collateral received for securities sold under agreements to repurchase

The Company enters into agreements with counterparties for them to sell to the Company certain securities and then repurchase them at a later date. These securities are excluded from the Company's balance sheet and the amount paid by the Company is shown in debtors as collateral paid for securities purchased under agreements to resell.

The Company also enters into agreements to sell certain securities to counterparties and then repurchase them at a later date. These securities are retained on the Company's balance sheet and shown within held for trading pledged as collateral. The amount received by the Company is shown within creditors as collateral received for securities sold under agreements to repurchase.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest rate method.

d. Collateral paid for securities borrowed and collateral received for securities loaned

The Company enters into agreements with counterparties for them to lend to the Company certain securities which are then returned to the lender at a later date. These securities are excluded from the Company's balance sheet and the amount paid by the Company is shown in debtors as collateral paid for securities borrowed.

The Company also enters into agreements to lend certain securities to counterparties, to be returned at a later date. These securities are retained on the Company's balance sheet and shown within held for trading pledged as collateral. The amount received by the Company is shown within creditors as collateral received for securities loaned. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred.

(iii) **Available-for-sale investments**

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. Available-for-sale investments are initially recognised at fair value, with any transaction costs taken directly to the profit and loss account, and are subsequently held at fair value with unrealised gains or losses being recognised in the statement of total recognised gains and losses.

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (continued)**Available-for-sale investments (continued)**

When the investment is disposed of, the cumulative gain or loss previously recognised in the statement of total recognised gains and losses is recognised in the profit and loss under other operating income or other operating expenses. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Losses arising from the impairment of such investments are recognised within other operating income or expense, having been removed from the cumulative gain or loss previously recognised in the statement of total recognised gains and losses. Any foreign exchange gains or losses arising on available-for-sale financial investments are recognised in profit and loss.

Interest earned whilst holding available-for-sale investments is reported in interest receivable and similar income using the effective interest rate. Dividends earned whilst holding available-for-sale investments are also recognised in the profit and loss account under interest receivable and similar income.

(iv) Held-to-maturity investments

As at the balance sheet date, the Company held no held-to-maturity investments.

(g) Impairment

The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date, and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated. When estimating the potential impact of an impairment loss on a collateralised financial asset, expected future cash flows, both from the asset and the associated collateral, are assessed.

(i) Loans and receivables

For loans and receivables, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is included in the profit and loss account. If in a subsequent period the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the profit and loss account.

(ii) Financial assets at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by the delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed except on realisation.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(g) Impairment (continued)(iii) **Available-for-sale investments**

For available-for-sale investments, the Company assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments are not reversed through the profit and loss account; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest receivable and similar income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

(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 balance sheet with an associated liability for 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.

(i) Offsetting financial instruments

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

(j) Fixed Assets and Depreciation

Fixed assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Construction in progress is capitalised on a floor-by-floor basis from the completion date of each floor. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(j) **Fixed Assets and Depreciation (continued)**

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 company's 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 leasehold property	Over the life of the lease
Furniture, equipment and software	Five to ten years
Construction in progress	Not depreciated until completed and transferred to asset categories above

Fixed 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 the profit and loss account as an exceptional item.

(k) **Intangible Assets**

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. If an entity is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

All goodwill arising in the financial statements relates to the acquisition of Lehman Brothers Equities and Investment Banking businesses and is being amortised on a straight line basis over a twenty year period.

(l) **Fixed Asset Investments**

Investments in subsidiary undertakings, which are outside the scope of FRS 26, are stated at original cost less amounts written off where there has been impairment in value.

(m) **Provisions**

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

(n) **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 balance sheet date. All differences arising from the application of closing rates of

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(n) **Foreign Currencies (continued)**

exchange, together with exchange gains/losses from trading activities, are taken to the profit and loss account. 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.

(o) **Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

(p) **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 the profit and loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using actuarial assumptions at the date of the curtailment or settlement and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account change in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense. Actuarial gains and losses are

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(p) Pension Costs (continued)

recognised in full in the statement of total recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet 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), less any past service cost not yet recognised 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. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

In accordance with FRS 17, the defined benefit liability is shown on the balance sheet net of deferred tax.

The amendments to FRS 17 require additional disclosures to be made in the statutory accounts, which have been included in note 7.

(q) Share-based payments

The ultimate holding company, Nomura Holdings Inc., operates share option schemes for the purpose of providing incentives and rewards to eligible participants. Employees and Directors of the Company receive remuneration in the form of share option awards as consideration for their services ('equity settled transactions').

The cost of equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted. The fair value of the stock options as of the grant date is estimated using a Black-Scholes option-pricing model with the following assumptions:

Expected volatilities	based on historical volatility of the ultimate holding company's common stock
Expected dividend yield	based on the current dividend rate at the time of grant
Expected lives of options granted	based on vesting period
Expected number of options which will vest	based on historical experience
Estimated risk-free interest rate	based upon Yen swap rates with a maturity equal to the expected lives of options

The cost of equity-settled transactions is recognized in the profit and loss account, together with a corresponding increase in reserves, representing the contribution received from the ultimate holding company, 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'). This period has been determined to be the two year period from grant date to vesting date. The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(q) **Share-based payments (continued)**

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 recognized as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(r) **Share Capital**

Share capital meeting the definition of an equity instrument under FRS 25 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.

Preference shares, that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, are financial liabilities. Convertible preference share capital is a compound financial liability. As required by FRS 25, the components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

At the balance sheet date, the Company had no issued redeemable convertible participating preference share capital.

(s) **Operating Leases**

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(t) **Cash flow Statement**

The Company has taken advantage of the exemption under FRS 1 (revised) and has not produced a cash flow statement, since the Company has more than 90% of its voting rights controlled by Nomura Holdings Inc., in whose publicly available financial statements it is consolidated.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

2. TRADING PROFIT

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

A. Segmental Analysis

Substantially all of the Company's trading loss/profit originates in the UK and contribution outside of the UK is insignificant. The trading profit is attributable to the following revenue streams:

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Net fees and commissions ¹	168,536	184,929
Principal transactions ²	(318,227)	158,700
Less: attributable transaction expenses	(58,872)	(46,220)
	<hr/>	<hr/>
Trading (loss)/profit	(208,563)	297,409

¹ 'Net fees and commissions' includes gains, losses and fees, net of syndication expenses arising from securities offerings in which the Company acts as an underwriter or agent, and fees earned from providing financial advisory services. Such revenues do not include revenues from secondary trading activities which are included in 'Principal transactions'. Commissions arising from broking securities are also included.

² 'Principal transactions' includes realised and unrealised gains and losses from proprietary trading activities, asset finance, customer trading activities, private equity and profits on disposals of related party investments (note 28).

B. Analysis of net fee and commission income

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Financial instruments not at fair value through profit or loss	136,636	169,305
Trust and fiduciary activities	-	51
Other fees and commission income	31,900	15,573
	<hr/>	<hr/>
Net fees and commissions	168,536	184,929

Fees and commission income and expenses from financial instruments not at fair value through profit or loss include servicing and lending commitment fees (other than those included in determining the effective interest rate), relating to financial assets and liabilities not carried at fair value through profit or loss.

Trust and fiduciary activities include asset management services where the Company holds or invests assets on behalf of its customers.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

2. TRADING PROFIT (CONTINUED)

B. Analysis of net fee and commission income (continued)

Other fees and commission income and expenses include amounts arising from securities offerings in which the Company acts as an underwriter or agent, commissions arising from broking securities and fees earned from providing financial advisory services.

C. Analysis of Principal Transactions by Financial Instrument Type

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Financial instruments held for trading	(317,100)	134,301
Financial instruments designated at fair value through profit and loss	(1,127)	24,399
Principal transactions	<u>(318,227)</u>	<u>158,700</u>

3. OTHER OPERATING (LOSS)/INCOME

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
(Losses)/gains from sales of available-for-sale investments	(2,309)	3,184
Impairment loss recognised on available-for-sale investments	-	(870)
	<u>(2,309)</u>	<u>2,314</u>

Included in '(Losses)/Gains from sales of available-for-sale investments' are the amounts transferred from reserves to the profit and loss account on the de-recognition of available-for-sale investments.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

4. INTEREST INCOME & EXPENSE

Analysis of Total Interest Income and Expense by Financial Instrument Type

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Interest receivable and similar income		
Cash and short-term funds	185,884	145,902
Securities borrowed and reverse repurchase agreements	527,769	805,994
Other	22,106	64,919
	<u>735,759</u>	<u>1,016,815</u>
Financial instruments at fair value through profit and loss	<u>334,880</u>	<u>289,488</u>
	<u>1,070,639</u>	<u>1,306,303</u>
Interest payable and similar charges		
Overdrafts and loans	(199,506)	(277,281)
Securities lent and repurchase agreements	(891,044)	(1,138,774)
Commercial paper	(12,820)	(1,099)
Other	(36,650)	(23,960)
	<u>(1,140,020)</u>	<u>(1,441,114)</u>
Financial instruments at fair value through profit and loss	<u>(6,193)</u>	<u>(2,966)</u>
	<u>(1,146,213)</u>	<u>(1,444,080)</u>

5. RESTRUCTURING COST

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
RESTRUCTURING COST		
IT system integration cost	17,836	-
Legal charges	4,056	-
Other	79	-
	<u>21,971</u>	<u>-</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Wages, salaries and other personnel costs	690,585	190,419
Social security costs	56,079	25,869
Pension costs – defined contribution	13,921	9,523
Amortisation and depreciation (note 9 & 10)	12,609	13,218
Auditors' remuneration including expenses		
- audit	688	590
- services relating to taxation	230	80
- all other services	47	40
Operating lease costs		
- buildings	24,385	14,501
- other	6,294	2,203
Onerous contracts (note 18)	-	1,244
Interest receivable from group undertakings	(322,056)	(309,444)
Interest payable - group undertakings	398,208	452,193

7. DEFINED BENEFIT PENSION SCHEME

A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2006 and updated to 31 March 2009 by William M Mercer Limited, a qualified independent actuary.

During the year ended 31 March 2009, the Company made additional contributions of £2,600,000 and the fund remained in surplus. The amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. 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 balance sheet. The expected employer's contribution to the Company's defined benefit pension scheme for year ended 31 March 2010 is £2,600,000.

Under the projected unit actuarial cost method the current service cost will increase as members approach retirement.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

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

	<u>31 March 2009</u> %	<u>31 March 2008</u> %	<u>31 March 2007</u> %
Rate of increase in pensions in payment	3.50%	3.55%	3.10%
Rate of increase in pensions in deferment	3.50%	3.55%	3.10%
Discount rate applied to scheme liabilities	7.00%	5.65%	5.00%
Inflation assumption	3.50%	3.55%	3.10%

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

	<u>31 March 2009</u> Years	<u>31 March 2008</u> Years
Male Member age 65 (current life expectancy)	22.0	22.0
Male Member age 45 (life expectancy at age 65)	23.1	23.1
Female Member age 65 (current life expectancy)	24.9	24.8
Female Member age 45 (life expectancy at age 65)	25.9	25.9

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

	<u>31 March 2009</u>		<u>31 March 2008</u>		<u>31 March 2007</u>	
	%	£'000	%	£'000	%	£'000
Equities	7.40%	15,615	7.25%	21,387	6.10%	86,310
Bonds	5.45%	112,947	5.60%	99,456	4.10%	5,208
Property	5.90%	10,602	5.75%	11,962	N/A	-
Cash	0.50%	547	5.25%	343	5.25%	1,488
Market value of assets		<u>139,711</u>		<u>133,148</u>		<u>93,006</u>
Present value of scheme liabilities		<u>(85,402)</u>		<u>(114,276)</u>		<u>(120,891)</u>
Surplus/(deficit in the scheme)		54,309		18,872		(27,885)
Effect of surplus cap		<u>(54,309)</u>		<u>(18,872)</u>		<u>-</u>
Recoverable deficit in the scheme		-		-		(27,885)
Deferred tax asset		-		-		8,365
Net pension liability		<u>-</u>		<u>-</u>		<u>(19,520)</u>

The expected return on assets does not allow for expenses as these are now paid directly by the Company.

There is no charge to operating loss in relation to the defined benefit pension scheme (2008: £Nil).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

The amount charged to other finance income:

	<u>31 March 2009</u> £'000	<u>31 March 2008</u> £'000
Expected return on pension scheme assets	6,363	6,473
Interest on pension scheme liabilities	(6,363)	(5,982)
Other finance income	-	491
	<u>-</u>	<u>491</u>

Analysis of movements in deficit during the year:

	<u>31 March 2009</u> £'000	<u>31 March 2008</u> £'000
Deficit in scheme at beginning of year	-	(27,885)
Expected return on pension scheme assets	6,363	6,473
Interest on pension scheme liabilities	(6,363)	(5,982)
Contributions	2,600	28,080
Actuarial loss	(2,600)	(686)
Deficit in scheme at end of year	<u>-</u>	<u>-</u>

The amounts recognised in the statement of total recognised gains and losses (STRGL) for the year are set out below:

	<u>31 March 2009</u> £'000	<u>31 March 2008</u> £'000
Actual return less expected return on pension scheme assets	925	8,404
Experience losses arising on pension scheme liabilities	314	(439)
Changes in assumptions underlying the present value of the pension scheme liabilities	31,598	10,221
Actuarial gain recognised in STRGL	32,837	18,186
Adjustment due to movement in surplus cap	(35,437)	(18,872)
Net loss recognised	<u>(2,600)</u>	<u>(686)</u>

The defined benefit pension liability has no effect on the net assets and reserves of the Company (2008: no effect).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

Analysis of movements in benefit obligation and plan assets during the year:

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Change in benefit obligations		
Benefit obligations at beginning of year	114,276	120,891
Interest Cost	6,363	5,982
Actuarial (gain)	(31,912)	(9,782)
Benefits paid	(3,325)	(2,815)
	<hr/>	<hr/>
Benefit obligations at end of year	85,402	114,276
	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Change in plan assets		
Fair value of plan assets at beginning of year	133,148	93,006
Expected return on plan assets	6,363	6,473
Actuarial loss	925	8,404
Employer contributions	2,600	28,080
Benefits paid from plan	(3,325)	(2,815)
	<hr/>	<hr/>
Fair value of plan assets at end of year	139,711	133,148

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

7. DEFINED BENEFIT PENSION SCHEME (CONTINUED)

FRS17 requires that a history of amounts that were, or would have been, recognised in the statement of total recognised gains and losses (STRGL) be disclosed as set out below:

	<u>31 March 2009</u>	
	%	£'000
Difference between expected and actual return on pension scheme assets	0.66% (a)	925
Experience gains and losses on pension scheme liabilities	0.37% (b)	314
Total amount recognised in STRGL	3.04% (b)	(2,600)
	<u>31 March 2008</u>	
	%	£'000
Difference between expected and actual return on pension scheme assets	6.3% (a)	8,404
Experience gains and losses on pension scheme liabilities	(0.4%) (b)	(439)
Total amount recognised in STRGL	(0.6%) (b)	(686)
	<u>31 March 2007</u>	
	%	£'000
Difference between expected and actual return on pension scheme assets	1.50% (a)	1,434
Experience gains and losses on pension scheme liabilities	(1.60%) (b)	(1,877)
Total amount recognised in STRGL	(2.00%) (b)	(2,462)
	<u>31 March 2006*</u>	
	%	£'000
Difference between expected and actual return on pension scheme assets	16.30% (a)	13,989
Experience gains and losses on pension scheme liabilities	(0.10%) (b)	(168)
Total amount recognised in STRGL	(3.20%) (b)	(3,625)
	<u>31 March 2005</u>	
	%	£'000
Difference between expected and actual return on pension scheme assets	6.20% (a)	4,048
Experience gains and losses on pension scheme liabilities	2.80% (b)	2,580
Total amount recognised in STRGL	18.80% (b)	17,034

(a): Percentage based on scheme assets

(b): Percentage based on present value of pension scheme liabilities

*The figures within these financial statements for the year ended 31st March 2006 have been calculated for the period 31 March 2005 to 31 October 2005 (the curtailment date) and 1 November 2005 to 31 March 2006 separately, using financial assumptions in force at the beginning of each period.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

8. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) TAX CREDIT

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
UK corporation tax credit at 28% (2008: 30%)	(55,543)	(66,959)
Tax under/(over) provided in previous years	12,549	(6,696)
	<u>(42,994)</u>	<u>(73,655)</u>
Deferred taxation credit (note 15)	(5,305)	(44,663)
Tax over provided in previous years	-	-
Effect of change in tax rate on opening balance	-	(149)
	<u>(48,299)</u>	<u>(118,467)</u>
Total tax credited for the year to the profit and loss account		
Current tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	(2,493)	(2,897)
- Available-for-sale investments	832	3,439
Deferred tax movements recognised in the STRGL		
- FRS 17 Defined Benefit Pension	3,221	2,691
	<u>(46,739)</u>	<u>(115,234)</u>
Total tax credited for the year		

(b) RECONCILIATION OF CORPORATION TAX CREDIT

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Loss on ordinary activities before tax	<u>(1,348,714)</u>	<u>(431,819)</u>
UK Corporate tax credit at 28% (2008: 30%)	(377,640)	(129,546)
Effects of:		
Expenses not deductible for tax purposes	4,228	18,271
Revenues deductible for tax purposes	-	(1,308)
Timing differences		
- Tangible Fixed Assets	40	(290)
- General provisions	-	(634)
- Share Based Payments	3,114	7,135
- Deferred Income	27,212	(16,471)
- Transition adjustment on adoption of FRS 25/26	8,132	8,714
- Other	-	70
Tax under/(over) provided in previous years	12,549	(6,696)
Unutilised losses for the year carried forward	<u>279,371</u>	<u>47,100</u>
Current corporation tax credit for the year	<u>(42,994)</u>	<u>(73,655)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

9. INTANGIBLE FIXED ASSETS

In October 2008, the Nomura Group acquired the non-US operations of the Lehman Brothers' Inc group ("Lehman Brothers") by way of transfer of the majority of employees in the Asia-Pacific region, as well as the majority of employees in its equities and investment banking businesses in Europe and the Middle East, certain of its fixed income personnel in Europe and its specialized service companies in India, to expand and enhance its wholesale operations. The transactions did not include any trading assets or trading liabilities of Lehman Brothers. The acquisition date for the transaction was 13 October 2008.

Due to the nature of the acquisition it is not possible for the Company to ascertain whether the net book value of the assets acquired was materially different to their fair value at the date of acquisition.

All goodwill arising in the financial statements relates to the acquisition of Lehman Brothers equities and investment banking businesses and is being amortised on a straight line basis over a twenty year period.

The acquisition has been accounted for as a business combination.

<u>Cost</u>	<u>Goodwill</u> £'000
At 1 April 2008	-
Additions	34,334
At 31 March 2009	<u>34,334</u>
 <u>Amortisation</u>	
At 1 April 2008	-
Charged during year	801
At 31 March 2009	<u>801</u>
 <u>Net book value</u>	
At 31 March 2009	33,533
At 31 March 2008	<u>-</u>

The acquisition cost of the businesses is equal to the fair value of consideration given, namely cash non cash assets, liabilities incurred or equity interests issued, which comprises cash consideration of £1 (USD 2), direct acquisition costs, pre-acquisition employment costs and liabilities incurred on behalf of PWC through the TSA agreement.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

9. INTANGIBLE FIXED ASSETS (CONTINUED)

As per FRS6 details of acquired assets, liabilities and acquisition cost is disclosed below:

The following table provides a summary of estimated fair value of assets acquired including goodwill, and the liabilities assumed:

	£'000
Assets Acquired	
Furniture, Equipment and Software	(26,130)
Liabilities Taken Over	
Employee related Payables	3,491
Acquisition Cost	
Legal and Consulting Fees*	29,931
PWC Transitional Agreement	27,042
	<hr/>
Goodwill	34,334
	<hr/>

*Including accrued professional fees (£12,035,000)

Pre-acquisition summarised profit and loss account of the acquired equities and investment banking businesses in Europe and the Middle East of Lehman Brothers:

The information presented below is the gain after taxation for the period from beginning of Lehman Brothers' current financial year till date of acquisition and for the previous financial year for the acquired businesses of Lehman Brothers:

	Period ended October 2008 £'000	Year ended 30 November 2007 £'000
Turnover	675,693	1,607,920
General and administrative expenses	(579,108)	(748,076)
	<hr/>	<hr/>
Gain before taxation	96,585	859,844
Tax on gain (28%/30%)	(27,044)	(257,953)
	<hr/>	<hr/>
Gain after taxation	69,541	601,891
	<hr/>	<hr/>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

10. TANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Construction In Progress</u> £'000	<u>Long Leasehold</u> £'000	<u>Furniture, Equipment, & Software</u> £'000	<u>Total</u> £'000
At 1 April 2008	2,583	7,576	168,023	178,182
Transfers	(2,773)	-	(58,912)	(61,685)
Additions	553	1,391	62,238	64,182
FX Revaluation	-	-	1	1
At 31 March 2009	363	8,967	171,350	180,680
<u>Depreciation</u>				
At 1 April 2008	-	1,801	112,886	114,687
Charged during year	-	131	11,677	11,808
Transfers	-	-	(20,983)	(20,983)
At 31 March 2009	-	1,932	103,580	105,512
<u>Net book value</u>				
At 31 March 2009	363	7,035	67,770	75,168
At 31 March 2008	2,583	5,775	55,137	63,495

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

11. FIXED ASSET INVESTMENTS

<u>Cost</u>	<u>Investment in Subsidiary Undertakings</u>
	£'000
At 1 April 2008	12,985
Additions	4,487
Disposals	(2,723)
	<hr/>
At 31 March 2009	14,749
	<hr/>
<u>Provisions</u>	
At 1 April 2008	2,713
Provided during year	-
Disposal	(2,713)
	<hr/>
At 31 March 2009	-
	<hr/>
<u>Net book value</u>	
At 31 March 2009	14,749
	<hr/>
At 31 March 2008	10,272
	<hr/>

The investment in subsidiary undertakings represents the following:

<u>Name of subsidiary</u>	<u>Shares/ voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business</u>
Nomura International Leasing Limited	100%	Ireland	Asset leasing
Nomura Nominees Limited	100%	England	Dormant
IBJ Nomura Financial Products (UK) Plc*	100%	England	Dormant
Nomura Investment Advisor LLP	50%	England	Investment adviser
Nomura Investments (AH) Limited	100%	Guernsey	Investment
Nomura Employment Services (Isle of Man) Limited	100%	Isle of Man	Employment services
Opsclear Limited	100%	England	Investment
Nomura Phase4 Ventures Limited	100%	England	Investment manager
Nomura Private Equity Investment GP Limited	100%	England	Investment manager
Nomura.com Limited	100%	England	Dormant
NI&E Services**	100%	England	Dormant
NI&E Services Italy Limited**	100%	England	Dormant

* - currently in members voluntary liquidation

** - acquired during the year ended 31 March 2009

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

11. FIXED ASSET INVESTMENTS (CONTINUED)

Through Nomura Phase4 Ventures Limited, the Company controls the following entity:

<u>Name of subsidiary</u>	<u>Shares/ voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business</u>
Nomura Phase4 Ventures GP Limited	100%	England	Investment manager

Through Nomura Investment Advisor LLP, the Company controls the following entity:

<u>Name of subsidiary</u>	<u>Shares/ voting rights held</u>	<u>Country of incorporation and registration</u>	<u>Principal business</u>
Perceva SAS	100%	France	Investment adviser
Thesan Capital S.L.	100%	Spain	Investment adviser

Additions during the year relate to purchase of shares in Perceva SAS and Thesan Capital S.L.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

12. FINANCIAL INSTRUMENTS

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification

	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>
	Available- for-sale investments	Held for trading	Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets:						
Available-for-sale investments	5,276	-	-	-	-	5,276
Held for trading	-	122,584,693	-	-	-	122,584,693
Designated fair value through profit and loss	-	-	126,049	-	-	126,049
Collateral paid for securities purchased under agreements to resell	-	-	-	39,136,656	-	39,136,656
Collateral paid for securities borrowed	-	-	-	8,339,653	-	8,339,653
Other debtors	-	-	-	18,905,667	-	18,905,667
Investments - time deposits	-	-	-	5,581,010	-	5,581,010
Cash at bank and in hand	-	-	-	2,071,434	-	2,071,434
Financial Liabilities:						
Held for trading	-	(112,715,362)	-	-	-	(112,715,362)
Designated fair value through profit and loss	-	-	(95,021)	-	-	(95,021)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(43,076,546)	(43,076,546)
Collateral received for securities loaned	-	-	-	-	(4,919,580)	(4,919,580)
Other creditors	-	-	-	-	(32,566,824)	(32,566,824)
Subordinated debt	-	-	-	-	(2,313,500)	(2,313,500)
	5,276	9,869,331	31,028	74,034,420	(82,876,450)	1,063,605

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification
(continued)

	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>
	Available- for-sale investments	Held for trading	Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets:						
Available-for-sale investments	16,744	-	-	-	-	16,744
Held for trading	-	42,538,386	-	-	-	42,538,386
Designated fair value through profit and loss	-	-	83,465	-	-	83,465
Collateral paid for securities purchased under agreements to resell	-	-	-	27,247,615	-	27,247,615
Collateral paid for securities borrowed	-	-	-	8,399,614	-	8,399,614
Other debtors	-	-	-	7,117,239	-	7,117,239
Investments - time deposits	-	-	-	4,366,570	-	4,366,570
Cash at bank and in hand	-	-	-	161,168	-	161,168
Financial Liabilities:						
Held for trading	-	(36,844,388)	-	-	-	(36,844,388)
Designated fair value through profit and loss	-	-	(98,959)	-	-	(98,959)
Collateral received for securities sold under agreements to repurchase	-	-	-	-	(27,357,728)	(27,357,728)
Collateral received for securities loaned	-	-	-	-	(6,562,504)	(6,562,504)
Other creditors	-	-	-	-	(15,824,299)	(15,824,299)
Subordinated debt	-	-	-	-	(2,313,500)	(2,313,500)
	16,744	5,693,998	(15,494)	47,292,206	(52,058,031)	929,423

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by FRS 26 classification (continued)

Included within the loans and receivables above are the following positions with fellow Nomura Holdings Inc. group undertakings:

	<u>2009</u> £'000	<u>2008</u> £'000
Loans and receivables:		
Collateral paid for securities purchased under agreements to resell	8,977,452	8,097,131
Collateral paid for securities borrowed	2,469,955	3,042,167
Other debtors	2,636,009	1,678,636
Investments - time deposits	4,187,384	2,250,375
Cash at bank and in hand	-	17,688
	<u>18,270,800</u>	<u>15,085,997</u>

	<u>2009</u> £'000	<u>2008</u> £'000
Financial liabilities at amortised cost:		
Collateral received for securities sold under agreements to repurchase	5,767,569	5,907,891
Collateral received for securities loaned	1,080,254	3,181,789
Other creditors	17,820,500	10,809,212
Subordinated debt	2,313,500	2,313,500
	<u>26,981,823</u>	<u>22,212,392</u>

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

The following table analyses the Company's available-for-sale investments, held for trading and designated fair value through profit and loss financial assets and liabilities by product type:

	<u>2009</u> £'000	<u>2008</u> £'000
Financial assets:		
Equity securities	2,164,739	3,564,699
Debt securities	16,246,218	8,475,349
Derivatives	104,305,061	30,598,547
	<u>122,716,018</u>	<u>42,638,595</u>
Financial liabilities:		
Equity securities	(2,081,925)	(3,341,973)
Debt securities	(6,442,402)	(2,845,148)
Derivatives	(104,286,056)	(30,756,226)
	<u>(112,810,383)</u>	<u>(36,943,347)</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Analysis of the Company's financial assets and financial liabilities by product type (continued)

Included within the financial assets and financial liabilities above are the following positions with fellow Nomura Holdings Inc. group undertakings:

	<u>2009</u> £'000	<u>2008</u> £'000
Financial assets:		
Equity securities	57,427	85,187
Debt securities	233,741	380,816
Derivatives	56,759,727	14,531,356
	<u>57,050,895</u>	<u>14,997,359</u>
Financial liabilities:		
Equity securities	(8,728)	(17)
Debt securities	(137,259)	(196,159)
Derivatives	(59,258,703)	(15,594,179)
	<u>(59,404,690)</u>	<u>(15,790,355)</u>

Available-for-sale investments

Available-for-sale investments include unquoted equity instruments which are measured at cost because their fair value cannot be measured reliably. As at 31 March 2009, such unquoted equity instruments measured at cost comprised of investments in other Nomura entities and market bodies which the Company is required to hold for strategic purposes. The value of such investments measured at cost held at the balance sheet date amounted to £1,757,528 (2008: £1,200,187).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and liabilities designated at fair value through profit or loss

Refer Note 1(f) (i) (b) for details of instruments on which fair value option applied:

Prepaid OTC Contracts: These prepaid OTC contracts are designated at fair value as such contracts, as well as the financial instruments with which they are hedged, are risk managed on a fair value basis as part of the Company's trading portfolio, and the risk is reported to key management personnel on this basis.

Other Financial Liabilities: These instruments are designated at fair value as the risks to which they relate, to which the Company is a contractual party, are risk managed on a fair value basis, and the risk is reported to key management personnel on that basis.

As the Company does not hold material population of these relevant instruments, there are no significant gains or losses due to changes in the Company's own credit risk for financial liabilities designated at fair value through profit or loss. The change in fair value attributable to changes in credit risks, during the period and cumulatively, is not considered material.

There is no material difference between the carrying amount and the amount contractually required to be paid at maturity to holders of financial liabilities designated at fair value through profit or loss.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

13. DERECOGNISED AND COLLATERALISED TRANSACTIONS

Transfers of financial assets, including pledges of collateral

In the ordinary course of business, the Company enters into transactions resulting in the transfer of financial assets to third parties which may not result in the full derecognition of the assets under FRS 26.

The following table shows the carrying amount of financial assets sold or otherwise transferred which do not qualify for derecognition and continue to be recognised on the balance sheet, together with their associated financial liabilities:

	<u>2009</u> <u>Financial</u> <u>assets</u> <u>£'000</u>	<u>2009</u> <u>Financial</u> <u>liabilities</u> <u>£'000</u>	<u>2009</u> <u>Difference</u> <u>£'000</u>
Collateral received for securities sold under agreements to repurchase	10,678,700	(10,329,444)	349,256
Collateral received for securities loaned	858,359	(640,823)	217,536
Other	382,530	(382,530)	-
	<u>11,919,589</u>	<u>(11,352,797)</u>	<u>566,792</u>

	<u>2008</u> <u>Financial</u> <u>assets</u> <u>£'000</u>	<u>2008</u> <u>Financial</u> <u>liabilities</u> <u>£'000</u>	<u>2008</u> <u>Difference</u> <u>£'000</u>
Collateral received for securities sold under agreements to repurchase	3,195,424	(3,263,826)	(68,402)
Collateral received for securities loaned	939,393	(726,998)	212,395
Other	323,265	(323,265)	-
	<u>4,458,082</u>	<u>(4,314,089)</u>	<u>143,993</u>

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. Effectively, these assets are pledged as security for borrowings, represented by the associated financial liabilities recognised. 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 balance sheet with an associated liability representing the cash received on the transfer as a secured borrowing.

The transactions above 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

13. 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 balance sheet 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.

The following table shows the carrying amount of financial assets sold or otherwise transferred in which the Company has continuing involvement, together with the level of the Company's continuing involvement and the associated financial liabilities:

<u>2009</u> <u>Total carrying value</u> <u>of financial asset</u> £'000	<u>2009</u> <u>Continuing</u> <u>involvement</u> £'000	<u>2009</u> <u>Total carrying value of</u> <u>associated liability</u> £'000
523,108	(43)	(523,065)
<hr/> 523,108	<hr/> (43)	<hr/> (523,065)
<u>2008</u> <u>Total carrying value</u> <u>of financial asset</u> £'000	<u>2008</u> <u>Continuing</u> <u>involvement</u> £'000	<u>2008</u> <u>Total carrying value of</u> <u>associated liability</u> £'000
318,286	(6,306)	(311,980)
<hr/> 318,286	<hr/> (6,306)	<hr/> (311,980)

Financial assets 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 balance sheet 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 repledged 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 £50,900,000 (2008: £38,500,000). Of this amount, £8,900,000 (2008: £8,800,000) has been sold or repledged to third parties to comply with commitments under short sale transactions or in connection with financing activities. The corresponding obligation to return securities received which have been sold or repledged is £956,000,000 (2008: £639,000,000).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

14. OTHER DEBTORS

	<u>2009</u> £'000	<u>2008</u> £'000
Trade debtors	14,954,471	5,213,175
Broker balances	3,533,821	1,640,669
Taxation recoverable	113,731	65,596
Accrued interest and dividends receivable	272,700	182,027
Prepayments and accrued income	30,944	15,772
	<hr/>	<hr/>
	18,905,667	7,117,239

Included within debtor balances above are the following balances due from fellow Nomura Holdings Inc. group undertakings:

	<u>2009</u> £'000	<u>2008</u> £'000
Trade debtors	2,043,800	1,528,033
Broker balances	576,681	114,644
Accrued interest and dividends receivable	11,414	32,626
Prepayments and accrued income	4,114	3,333
	<hr/>	<hr/>
	2,636,009	1,678,636

Refer to note 21 for un-aged analysis of other Debtors which are past due but not impaired.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

15. DEFERRED TAXATION

	<u>2009</u> £'000	<u>2008</u> £'000
Tangible fixed assets	7,593	3,014
FRS 26 transition liabilities	(57,091)	(65,224)
Other short-term timing differences	47,864	16,166
Unutilised tax losses	392,239	-
Deferred tax not provided	<u>(390,605)</u>	<u>43,960</u>
	-	<u>(2,084)</u>

Deferred taxation is expected to reverse:

Within one year	-	-
Greater than one year	-	(2,084)
Deferred taxation	<u>-</u>	<u>(2,084)</u>

Provision for deferred tax comprises:

	<u>2009</u>		<u>2008</u>	
	£'000	£'000	£'000	£'000
Timing differences	(1,634)		(46,044)	
Losses	392,239		43,960	
Deferred tax not provided	<u>(390,605)</u>		<u>-</u>	
Total provision for deferred tax		-		(2,084)
As at 1 April		(2,084)		(44,205)
Effect of change in tax rate		-		149
Deferred tax credit to the profit and loss account		5,305		44,663
Deferred tax charged to the STRGL				
- FRS 17 Defined Benefit Pension		(3,221)		(2,691)
As at 31 March		<u>-</u>		<u>(2,084)</u>

Deferred taxation has been recognised at 28% (2008: 28%), being the UK corporation tax rate from 1 April 2008. In the prior year the impact of the rate change on the deferred tax liability expected to reverse in greater than one year was £148,800. There is no impact in the current year.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

16. OTHER CREDITORS

	<u>2009</u> £'000	<u>2008</u> £'000
Loans and overdrafts	13,459,957	8,843,582
Trade creditors	14,478,005	5,229,925
Commercial paper issued	22,209	546,864
Broker balances	3,937,921	884,709
Other tax and social security payable	89,877	2,171
Accrued interest and dividends payable	121,165	125,722
Accruals and deferred income	457,690	191,326
	<u>32,566,824</u>	<u>15,824,299</u>

Included within creditor balances above are the following balances due to fellow Nomura Holdings Inc. group undertakings:

	<u>2009</u> £'000	<u>2008</u> £'000
Loans and overdrafts	13,416,625	8,822,292
Trade creditors	3,289,445	1,833,353
Broker balances	1,096,625	126,482
Accrued interest and dividends payable	13,331	26,437
Accruals and deferred income	4,474	648
	<u>17,820,500</u>	<u>10,809,212</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

17. SUBORDINATED DEBT

	<u>Repayment date</u>	<u>2009</u> £'000	<u>2008</u> £'000
Short Term			
Nomura Europe Holdings plc	20 April 2008	-	250,000
Nomura Europe Holdings plc	22 July 2008	-	100,000
Nomura Europe Holdings plc	11 August 2008	-	250,000
Nomura Europe Holdings plc	29 June 2009	212,500	-
		<hr/>	
		212,500	600,000
Long Term			
Nomura Europe Holdings plc	29 June 2009	-	94,500
Nomura Europe Holdings plc	29 June 2009	-	118,000
Nomura Europe Holdings plc	13 April 2010	280,000	280,000
Nomura Europe Holdings plc	2 July 2010	56,000	56,000
Nomura Europe Holdings plc	30 July 2010	150,000	150,000
Nomura Europe Holdings plc	10 August 2010	250,000	250,000
Nomura Europe Holdings plc	23 August 2010	250,000	250,000
Nomura Europe Holdings plc	21 April 2011	250,000	-
Nomura Europe Holdings plc	22 July 2011	100,000	-
Nomura Europe Holdings plc	11 August 2011	250,000	-
Nomura Europe Holdings plc	27 March 2013	-	100,000
Nomura Europe Holdings plc	27 June 2013	-	40,000
Nomura Europe Holdings plc	27 June 2013	-	116,000
Nomura Europe Holdings plc	2 July 2013	134,000	134,000
Nomura Europe Holdings plc	20 December 2013	95,000	95,000
Nomura Europe Holdings plc	27 March 2015	100,000	-
Nomura Europe Holdings plc	26 June 2015	156,000	-
Nomura Europe Finance NV	27 March 2013	-	30,000
Nomura Europe Finance NV	27 March 2015	30,000	-
		<hr/>	
		2,101,000	1,713,500

The legal nature of the subordinated loans 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 loans are based on local inter bank borrowing rates and include a margin to reflect the subordination. Rates are generally fixed quarterly.

The rates of interest applicable to the loans with maturities greater than five years are as follows:

Nomura Europe Holdings plc	27 March 2015	LIBOR + 0.47%
Nomura Europe Holdings plc	26 June 2015	LIBOR + 0.47%
Nomura Europe Finance NV	27 March 2015	LIBOR + 0.47%

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

18. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2009</u> £'000	<u>2008</u> £'000
At 1 April	3,000	4,563
Used during the year	(3,000)	(2,807)
Provided during the year		
- Others	-	1,244
- Restructuring	30,200	-
	<hr/>	<hr/>
At 31 March	30,200	3,000

The Directors have made provisions which represent their best estimates of the Company's present obligations that have arisen in relation to the losses it expects to incur on onerous restructuring cost and contracts.

19. SHARE CAPITAL

<u>2009</u>	<u>Authorised</u> <u>Number</u> <u>'000</u>	<u>Allotted and fully paid</u> <u>Number</u> <u>'000</u>	<u>Consideration</u> <u>£'000</u>
Sterling Ordinary shares of £1 each	2,250,000	2,087,602	2,087,602
Yen Ordinary shares of ¥ 250 each	270,000	238,265	356,214
Sterling Redeemable Convertible Participating Preference shares of £1 each	50,000	-	-
			<hr/>
			2,443,816

<u>2008</u>	<u>Authorised</u> <u>Number</u> <u>'000</u>	<u>Allotted and fully paid</u> <u>Number</u> <u>'000</u>	<u>Consideration</u> <u>£'000</u>
Sterling Ordinary shares of £1 each	900,000	662,602	662,602
Yen Ordinary shares of ¥ 250 each	270,000	238,265	356,214
Sterling Redeemable Convertible Participating Preference shares of £1 each	50,000	-	-
			<hr/>
			1,018,816

The Yen Ordinary shares of ¥250 each have all future rights and benefits based on a Sterling exchange rate of 141.8885.

The Company issued 1,425,000,000 Sterling Ordinary shares of £1 each for consideration of £1,425,000,000 during the financial year.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

20. RESERVES

	<u>Capital redemption reserve</u>	<u>Share-based payment expense reserve</u>	<u>Available- for-sale reserve</u>	<u>Profit and loss account</u>
	£'000	£'000	£'000	£'000
At 1 April 2008	121,612	42,977	2,698	(187,997)
Retained loss for the year	-	-	-	(1,300,415)
Actuarial loss on pension scheme	-	-	-	(2,600)
Movement on deferred tax relating to pension liability	-	-	-	(3,221)
Movement on current tax relating to pension liability	-	-	-	2,493
Share-based payment expense for the year	-	35,352	-	-
Gain on available-for-sale investments	-	-	791	-
Realised gains on available-for-sale investments reclassified to the profit and loss account on disposal	-	-	2,181	-
Movement on current tax relating to movements on available-for-sale investments	-	-	(832)	-
At 31 March 2009	121,612	78,329	4,838	(1,491,740)

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT

The Company's activities involve both the assumption and transfer of certain risks which the Company must manage. The most important types of risk are market risk, credit risk (including counterparty credit risk), liquidity risk and cash flow interest rate risk. Market risk includes currency risk, price risk and fair value interest rate risk.

The Role of Financial Instruments

The Company holds or issues financial instruments for two main purposes:

- *Trading Activities* - to facilitate the needs of its client base and for trading purposes on its own account
- *Financing Activities* - to finance its operations and to manage the interest rate and currency risk arising from its financing activities

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 exchange markets 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
Foreign Exchange Derivatives	Forward FX contracts, currency swaps and currency 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 CDO tranches, CDO squared tranches and combinations of these.

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

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Role of Financial Instruments (continued)*Financing Activities*

The responsibility for both financing the operations and managing any resulting interest rate and foreign exchange risk lies with the Treasury function. The Treasury function reports to the Chief Financial Officer (CFO) and is fully independent of the trading activities. Working as part of the Global Treasury function, its primary responsibility is to pro-actively manage the liquidity and financing needs of the Company via a diversified financing programme, supported by a comprehensive and tested contingency plan. The Treasury function is not authorised to take positions for its own account and it is not judged on the basis of profit.

The distribution of sources of funding and their maturity profile are actively managed in order to ensure access to funds and to avoid a concentration of funding at any one time or from any one source. The main funding sources used by the Treasury function include capital, bank borrowings, intercompany borrowings, long term debt, and commercial paper, collateralised financing such as sale and repurchase agreements and committed credit facilities.

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks through its overall risk management approach and approval of risk strategies and principles. However responsibility for risk reporting and control is undertaken by the following departments and committees within the Company:

Capital Allocation

Regional business line requests for capital are approved in the first instance by the European Executive Management Committee before submission to the Global Wholesale Committee in Tokyo for approval as part of the global budgeting and capital allocation process.

Treasury Department

The Treasury Department monitors compliance with the Company's liquidity, currency and cash flow policies, including that described under Financing Activities above.

Corporate Risk Management Department

The Corporate Risk Management department monitors and reports compliance with internally set market risk limits and is completely independent of the business areas.

Investment Evaluation and Credit Department

The Investment Evaluation and Credit department monitors and reports compliance with internally set credit limits and is completely independent of the business areas.

Finance Department

The Finance Department monitors compliance with internally and externally set regulatory limits and guidelines.

Risks and Controls Department

The Risks and Controls Department monitors, evaluates, conducts forensic investigations on operational risk issues and the internal control framework and reports on these to both the Audit Committee and the Executive Committee. The Risks and Controls department is completely independent and separate from the Internal Audit function.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Structure (continued)*Risk Management Committee*

The Risk Management Committee considers and monitors the operational and market risk exposures. On behalf of the Nomura Europe Strategic Management Committee it is also responsible for considering implementation issues arising from new business to ensure a controlled and structured process.

Internal Audit

The Internal Audit Department is an independent function with independent reporting lines to the Chairman of the Audit Committee of the Company's immediate parent, Global Audit and CEO of Nomura's European businesses. Internal audit performs a comprehensive and independent review of systems and processes on a periodic basis.

Risk reporting and control is administered via the Management Information System which provides daily financial indicators including profit and loss, Value-at-Risk, Nomura Capital Allocation Target, inventory, regulatory capital, unsecured funding and all related limits. Monitoring is applied at all levels in the business hierarchy, specifically trading strategy, trading desk, division and company wide.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Company classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analysis.

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

Within the Company, there is a formal process for the allocation and management of Economic Capital (NCAT) which is facilitated through the capital allocation agenda discussed by the Capital Allocation Committee. The Executive Committee is chaired by the President and Chief Executive Officer of the Company. Day to day responsibility for the NCAT calculation and the setting and monitoring of risk limits, within the risk control framework, rests with the independent Risk Management department, the head of which reports to the Chief Risk Officer of the Company and the Global Head of Risk Management in Tokyo.

NCAT is the potential economic loss over a one-year horizon given a confidence interval of 99.95%. NCAT captures market, liquidity, credit, event, counterparty, loan and private equity risk. NCAT is an effective tool 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 quarterly on the basis of historical scenario analysis.

The Company uses the statistical technique known as Value-at-Risk (VaR) as one of the tools used to measure, monitor and review the market risk exposures of its trading portfolios. The Risk Management Department calculates VaR numbers daily for all relevant businesses and these figures are included in daily reporting to senior management.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

A. Market Risk – Trading (continued)

The table below illustrates, by major risk category, the VaR during the financial years ended 31 March 2009 and 31 March 2008. It shows the highest, lowest and average VaR during the financial year:

	<u>Average</u> £'000	<u>2009</u> <u>High</u> £'000	<u>Low</u> £'000	<u>Average</u> £'000	<u>2008</u> <u>High</u> £'000	<u>Low</u> £'000
Equity and Equity derivatives	3,265	6,998	1,824	3,260	4,424	2,680
Bonds, Interest rate and Credit derivatives	7,957	16,144	2,735	7,522	16,334	2,911
Foreign exchange	1,270	5,329	32	29	70	22
Total VAR *	8,763	18,264	3,455	8,409	16,071	4,277

* - The total VAR figure shown for the Company as a whole is less than the arithmetic sum of the individual risk categories due to the effects of diversification

VaR methodology, assumptions and limitations

VaR is an estimate of potential losses on a portfolio of traded assets at a specified level of confidence over a specified time horizon. The Company calculates VaR to above a 99% level of confidence over a one-day horizon meaning that on average we would expect to observe daily losses in excess of VaR less than 1% of the time.

VaR is calculated using a variance-covariance (VCV) model and includes risk factors relating to equity prices, interest rates, foreign exchange rates and credit spreads. The VCV method relies on the assumption that risk factors are always jointly normally distributed and that the change in portfolio value is linearly dependent on all risk factor returns. The VaR model requires two years of historical data for each risk factor and volatilities and correlations are calculated from this data using the Exponentially Weighted Moving Average (EWMA) method.

The benefit of VaR is the ability to probability weight, as well as quantify, potential losses across a range of different risk factors, taking into account risk reduction due to portfolio diversification and hedging activities. However, VaR does have a number of limitations, including:

- Historical data may not provide a good indication of future market events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising in times of severe market illiquidity.
- The model provides no indication of the potential magnitude of losses that exceed the 99% confidence level.

These limitations are well understood and are the reason why VaR is just one of a number of different approaches used to measure and monitor market risks across the Company's trading portfolios. Other approaches in use include sensitivity/scenario analysis and stress testing.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)**A. Market Risk – Trading (continued)**

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. The effectiveness of VaR can be assessed by a comparison of actual daily trading gains/losses with the estimated VaR, a process known as backtesting.

Non-VaR methodology and assumptions

Some of the Company's private equity assets are not included within the VaR calculations shown above. The most material of these assets is the exposure to Nomura Investments (AH) Limited. A sensitivity analysis has been performed on this asset to ascertain the impact of a change in the housing market on its value.

The analysis was undertaken by stressing the valuation model using assumptions of reasonable possible market moves at this time. The current discounted cash flow model already establishes a prudent valuation basis by incorporating a forecast 5% decline in values; furthermore the risk of loss calculations used in the sensitivity analysis factors in a further recessionary market downturn of -15% from late 2008.

The impact of a +5% growth was a £30,780,000 increase in value, whereas a -15% reduction led to a £61,550,000 decline.

B. 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 limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. 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; a process achieved using currency swap transactions. The Company is exposed to currency risk in respect of certain foreign currency denominated loans. This exposure is managed on a portfolio basis. The Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits. Hedge accounting is not applied.

In the cases of both interest rate and currency risk the Company do not believe, after taking account of the portfolio management and hedging strategies in place, that there is a material exposure to non-trading market risk. On this basis no sensitivity analysis is presented.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk***Credit Risk Management***

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. Credit derivatives are also used to reduce exposure or to hedge credit risk with respect to issuers.

The Company's Investment Evaluation & Credit Department is responsible for managing credit risks to which the Company is exposed.

Principal investment decisions are taken by senior management under advice from the credit function. The Company's Investment Evaluation & Credit Department undertakes due diligence for potential principal investments, current principal investments and underwriting positions that are being considered. They are also responsible for setting and monitoring inventory limits, which is done by setting maximum positions for issuers based on credit ratings.

Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy setting the maximum exposure and tenor based on credit rating. The Company uses a scale of internal ratings that mirror the credit-rating agencies' rating scales. Changes to credit policy need to be approved by board, as are all credit actions for the month.

Derivative exposure is calculated using a statistical methodology and trades are booked against credit lines. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue and the counterparty. The Company trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

As described above, the Company enters into netting arrangements to mitigate its exposure to credit loss. The impact of offsetting financial assets and financial liabilities which are subject to netting agreements is not reflected in the balance sheet.

Credit Risk Exposure

The Company's maximum exposure to credit risk at the balance sheet date is disclosed below, based on the carrying amount of the financial assets the Company believes is 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.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Credit Risk Exposure (continued)

	<u>Maximum</u> <u>Exposure to</u> <u>Credit Risk</u> <u>2009</u> £m	<u>Maximum</u> <u>Exposure to</u> <u>Credit Risk</u> <u>2008</u> £m
Available-for-sale debt investments	5	17
Financial assets held for trading	122,585	42,538
Financial assets designated at fair value through profit and loss	126	83
Collateral paid for securities purchased under agreements to resell	39,137	27,247
Collateral paid for securities borrowed	8,340	8,400
Other debtors	18,906	7,117
Investments – time deposits	5,581	4,367
Cash at bank and in hand	2,071	161
	<u>196,751</u>	<u>89,930</u>
Commitments to extend credit	542	12
Other commitments	124	88
	<u>666</u>	<u>100</u>
Total exposure to credit risk	<u>197,417</u>	<u>90,030</u>

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 provide a more meaningful presentation of balance sheet credit exposure. Also included in this balance are credit derivatives and other financial guarantee products which are used to hedge the Company's exposure to credit risk.

The credit quality of financial assets and off balance sheet commitments which are subject to credit risk, that are neither past due nor impaired, is summarised below. The credit ratings are determined by the Company's internally determined public rating agency equivalents.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Credit Risk Exposure (continued)

	<u>Maximum Exposure to Credit Risk</u>	<u>Maximum Exposure to Credit Risk</u>
	<u>2009</u>	<u>2008</u>
	£m	£m
Credit Rating		
AAA	6,343	4,858
AA	34,591	26,994
A	54,520	27,633
BBB	68,906	3,395
Non-Investment grade	12,475	5,040
Unrated	19,922	22,011
Total exposure to credit risk by credit rating	196,757	89,931

The counterparty are rated as per internal relating which is evaluated by Credit risk team and is in line with the external rating. 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.

Exposure to monoline insurers (financial guarantors)

The following table sets forth our notional amounts, gross exposure, counter party risk reserves and other adjustments, net exposure, and CDS protection to monoline insurers (financial guarantors) by credit rating in structured credit trading business of Global Markets in Europe. The table does not include the fully reserved or hedged exposures.

<u>Monoline Insurers by Credit Rating(1)</u>	<u>Notional(2)</u>	<u>Gross Exposure(3)</u>	<u>Counterparty Risk Reserves and other Adjustments</u>	<u>Net Exposure</u>	<u>CDS Protection (4)</u>
	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2009</u>
	£m	£m	£m	£m	£m
Credit Rating					
AAA	892	173	66	107	-
AA	179	86	9	77	8
Non-Investment grade	4,858	3,404	3,100	304	99
Total	5,929	3,663	3,175	488	107

1. Rating based on Standard & Poor's or Moody's Investors Service as of March 31 2009 depending on which rating is lower.
2. The gross notional value of the credit derivative contract. There is no exposure related to U.S. RMBS as reference assets.
3. Gross exposure represents the estimated fair value prior to adjustments.
4. Notional less estimated fair value of CDS protection acquired against the monoline insurers.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Concentrations of Credit Risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura's significant single concentrations of credit risk were with strongly rated credit institutions in the US and Europe. These concentrations generally arise from taking trading securities positions and may include securities pledged as collateral.

The Company is exposed to significant counterparty credit risk from fellow Nomura Holdings Inc group undertakings. The maximum credit exposure to fellow group undertakings is £53.2bn (2008: £19.5bn) and is rated using the Group's credit rating of 'BBB' (2008: 'A') or below.

Amounts past due but not impaired

Amounts which are past due but not impaired are those amounts which the Company believes are past due but still recoverable or which are sufficiently collateralised such that the fair value of the collateral pledged is sufficient to offset the amount of the outstanding obligation.

An ageing analysis of amounts past due but not impaired is provided in the table below:

	<u>Amounts past due but not impaired</u>				<u>Total past due but not impaired</u>
	<u>Less than 91 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>More than 1 year</u>	
	<u>2009</u> <u>£'000s</u>	<u>2009</u> <u>£'000s</u>	<u>2009</u> <u>£'000s</u>	<u>2009</u> <u>£'000s</u>	<u>2009</u> <u>£'000s</u>
Other debtors	414,872	70	-	-	414,942
Total	414,872	70	-	-	414,942

	<u>Amounts past due but not impaired</u>				<u>Total past due but not impaired</u>
	<u>Less than 91 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>More than 1 year</u>	
	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>	<u>2008</u> <u>£'000s</u>
Other debtors	112,480	594	3,432	15	116,521
Total	112,480	594	3,432	15	116,521

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)***Impaired financial assets***

The Company assesses whether there is any objective evidence that a financial asset is impaired at each balance sheet date. An impairment loss is incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. The loss event has an impact on estimated future cash flows, after taking into account any collateral held; and if the impact of that loss can be reliably estimated.

The amount charged to P&L of specific assets subject to impairment losses during the period shown which are included under each FRS 26 classification is provided in the table below :

	<u>Carrying amount prior to impairment</u>	<u>Impairment loss</u>	<u>Total impaired amounts</u>
	<u>2009</u>	<u>2009</u>	<u>2009</u>
Available-for-sale debt investments	-	-	-
Total	-	-	-

	<u>Carrying amount prior to impairment</u>	<u>Impairment loss</u>	<u>Total impaired amounts</u>
	<u>2008</u> £'000s	<u>2008</u> £'000s	<u>2008</u> £'000s
Available-for-sale debt investments	2,509	(870)	1,639
Total	2,509	(870)	1,639

As at 31 March 2009 the cumulative impairment loss on available-for-sale investments was £7,900,000 (2008: £7,900,000).

Liquidity Risk***Liquidity Risk Management***

The Company defines liquidity risk as the potential inability to meet financial obligations as they become due. We therefore seek to ensure adequate liquidity across market cycles and through periods of stress. This is achieved through a controlled process that ensures that cumulative financing requirements are restricted to pre-set levels. The Company's liquidity management includes monitoring projected contractual and contingent cash flows and maintaining liquidity and funding contingency plans.

To ensure that the Company has sufficient reserves to guard against any unforeseen event, the Treasury department requires that the businesses operate within unsecured funding limits that are set at a level significantly below what is estimated to be available.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

In addition, a key operating principle of the Treasury department is to withstand market shocks for periods lasting up to one year without either issuing new unsecured financing or liquidating trading assets. This is achieved by maintaining sufficient long-term debt and equity to meet the cash capital requirements of all the Company's assets and holding a global portfolio of cash and highly liquid securities that could be monetized through either sale or pledge to meet immediate requirements.

Contractual Maturity Table

The table below shows the Company's financial liabilities by contractual maturity remaining, taking into account early redemption features. Derivatives 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. Derivatives are disclosed at fair value on demand while financial liabilities designated at fair value are disclosed based on their earliest redemption date. This presentation is considered to reflect the liquidity risk arising from the Company's financial liabilities and is consistent with how this risk is managed by the Company.

	<u>On demand</u> <u>2009</u> £m	<u>Less than 30 days</u> <u>2009</u> £m	<u>31 – 90 days</u> <u>2009</u> £m	<u>91 days – 1 year</u> <u>2009</u> £m	<u>1 – 5 years</u> <u>2009</u> £m	<u>Later than 5 years</u> <u>2009</u> £m	<u>Total</u> <u>2009</u> £m
Financial liabilities held-for-trading	112,578	-	27	110	-	-	112,715
Financial liabilities designated at fair value	95	-	-	-	-	-	95
Collateral received for securities sold under agreements to repurchase	4,004	33,884	2,615	2,574	-	-	43,077
Collateral received for securities loaned	4,920	-	-	-	-	-	4,920
Other creditors	18,881	12,647	417	20	-	-	31,965
Commercial paper	-	-	21	-	-	-	21
Subordinated debt	-	-	213	-	1,681	420	2,314
	140,478	46,531	3,293	2,704	1,681	420	195,107
Other commitments	-	-	-	-	100	566	666
Standby letters of credit and other guarantees	-	-	-	-	-	-	-
					100	566	666
Total exposure to liquidity risk	140,478	46,531	3,293	2,704	1,781	986	195,773

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

	<u>On</u> <u>deman</u> <u>d</u> <u>2008</u> <u>£m</u>	<u>Less</u> <u>than 30</u> <u>days</u> <u>2008</u> <u>£m</u>	<u>31 – 90</u> <u>days</u> <u>2008</u> <u>£m</u>	<u>91 days</u> <u>– 1 year</u> <u>2008</u> <u>£m</u>	<u>1 – 5</u> <u>years</u> <u>2008</u> <u>£m</u>	<u>Later</u> <u>than 5</u> <u>years</u> <u>2008</u> <u>£m</u>	<u>Total</u> <u>2008</u> <u>£m</u>
Financial liabilities held-for-trading	36,666	-	-	178	-	-	36,844
Financial liabilities designated at fair value	99	-	-	-	-	-	99
Collateral received for securities sold under agreements to repurchase	1,105	22,677	2,497	1,079	-	-	27,358
Collateral received for securities loaned	6,563	-	-	-	-	-	6,563
Other creditors	6,634	8,020	306	-	-	-	14,960
Commercial paper	-	71	32	444	-	-	547
Subordinated debt	-	-	-	600	1,329	385	2,314
	<u>51,067</u>	<u>30,768</u>	<u>2,835</u>	<u>2,301</u>	<u>1,329</u>	<u>385</u>	<u>88,685</u>
Other commitments	-	-	-	-	207	-	207
Standby letters of credit and other guarantees	-	-	-	-	7	-	7
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214</u>	<u>-</u>	<u>214</u>
Total exposure to liquidity risk	<u>51,067</u>	<u>30,768</u>	<u>2,835</u>	<u>2,301</u>	<u>1,543</u>	<u>385</u>	<u>88,899</u>

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 balance sheet date is plus and/or minus £45,709 (2008: £40,603,624). This is based on the unobservable gap risk parameter for the fund derivatives. Last year's number also included structured credit parameters which are no longer applicable in current year given the transfer to Nomura Capital Markets Plc.

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 balance sheet date is £33,808,212 (2008: £362,304,686).

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:

	<u>2009</u> £'000	<u>2008</u> £'000
As at 1 April	66,289	101,675
New transactions	6,697	29,758
Transfers to fellow Nomura Holdings Inc. group undertakings	(45,155)	(61,723)
Redemptions and terminations	(19,977)	(3,421)
	<hr/>	<hr/>
As at 31 March	7,854	66,289

The transfers to fellow Nomura Holdings Inc. group undertakings resulted from the execution of market risk hedges on a portfolio of derivative contracts. There were no amounts recognised in the profit or loss as a result of this transfer.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Gains and losses on financial assets and financial liabilities held or issued for trading:

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

	<u>2009</u>	<u>2008</u>
	£m	£m
Bond and equity derivatives	(451)	412
Convertible bonds	(129)	(246)
Equities	191	239
Warrants	236	151
Government bonds	(198)	(598)
Bank and corporate bonds	171	(78)
Interest rate derivatives	(531)	242
Currency derivatives	206	20
Credit derivatives	187	43
	<u>(318)</u>	<u>185</u>

The information provided in the table above is shown on a pure product split basis, with no matching of the gains and losses on derivative contracts being offset against those on the underlying position. A significant amount of trading takes place on a strategy basis across a range of instruments and is managed accordingly.

22. 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 balance sheet size and 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 and has complied with the regulatory requirements imposed by the Financial Services Authority (FSA) under the Basel II framework.

No changes were made in the objectives, policies or processes for managing capital during the year.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. CAPITAL MANAGEMENT POLICY (CONTINUED)

Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the FSA for supervisory purposes define three '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 includes long-term subordinated debt. Tiers 1 and 2 capital can be used to support both trading and non-trading activity for market and counterparty risks. Tier 3 capital comprises short-term subordinated debt and current year trading book profit/(loss). The use of tier 3 capital is restricted on trading activities only and is not eligible to support counterparty risk.

	<u>2009</u> £'000	<u>2008</u> £'000
Tier 1 capital	1,161,712	994,566
Tier 2 capital	515,000	494,647
Tier 1 & 2 capital	1,676,712	1,489,213
Tier 3 capital	1,798,500	1,818,636
Total deductions from capital	(90,379)	(5,272)
Total capital resources	3,384,833	3,302,577

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

23. OPERATING LEASE COMMITMENTS

The Company was committed to making the following payments during the next year in respect of operating leases expiring:

	<u>2009</u> <u>Buildings</u> £'000	<u>2009</u> <u>Other</u> £'000	<u>2008</u> <u>Buildings</u> £'000	<u>2008</u> <u>Other</u> £'000
Within one year	2,160	1,378	-	2,988
Within two to five years	22,370	1,844	2,910	1,960
After five years	12,420	511	11,027	-
	<u>36,950</u>	<u>3,733</u>	<u>13,937</u>	<u>4,948</u>

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> <u>31 March 2009</u> Number	<u>Year ended</u> <u>31 March 2008</u> Number
Vienna	-	6
Spain	11	6
Others	16	-
UAE	43	-
Europe Non - UK	57	-
United Kingdom	<u>2,931</u>	<u>1,206</u>
	<u>3,058</u>	<u>1,218</u>

25. DIRECTORS' EMOLUMENTS

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Salaries, allowances and taxable benefits	1,677	1,450
Company contributions to Group Personal Pension	29	10
Bonuses	<u>2,883</u>	<u>547</u>
	<u>4,589</u>	<u>2,007</u>

The highest paid Director received emoluments of £2,026,069 (2008: £627,595) and company contributions to the Group Personal Pension of £6,125 (2008: £6,991). No directors hold share options in the Company.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

26. SHARE-BASED PAYMENTS

The ultimate holding company, Nomura Holdings Inc., has issued two types of share option schemes – stock option plan A and stock option plan B

For both plans the share options have a vesting date of two years from grant date and during this period the options may not be exercised.

The exercise price of stock option plan A will be determined by reference to the market price of the ultimate holding company's common stock, whilst that of stock option plan B will be 1¥ per share.

For both stock option plans, these stock options are exercisable during a period to fall within seven years of the allotment's date, which is to be decided by the ultimate holding company's board of Directors or an executive office designated by the board of Directors.

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2009:

<u>Date of grant of share options</u>	<u>Dividend yield</u> %	<u>Historical volatility</u> %	<u>Risk-free interest rate</u> %	<u>Expected life of options</u> Years	<u>Share Price at Grant Date</u> ¥
05 Aug 2002	2.49	43.72	0.73	7	1,520
22 Jul 2003	2.47	44.58	0.62	7	1,553
16 Aug 2004	2.53	43.51	1.21	7	1,453
25 Jul 2005	3.30	42.44	0.87	7	1,335
14 Jul 2006	3.08	36.48	1.68	6	2,020
01 Aug 2007	3.04	33.85	1.65	6	2,210
01 Aug 2007	3.04	33.85	1.65	6	2,210
05 Aug 2008	3.78	32.73	1.43	6	1,493
05 Aug 2008	3.78	32.73	1.43	6	1,493

The following table for stock option plan A lists the inputs to the model used for the year ended 31 March 2008:

<u>Date of grant of share options</u>	<u>Dividend yield</u> %	<u>Historical volatility</u> %	<u>Risk-free interest rate</u> %	<u>Expected life of options</u> Years	<u>Share Price at Grant Date</u> ¥
02 Aug 2002	2.49	43.72	0.73	7	1,520
22 Jul 2003	2.47	44.58	0.62	7	1,553
16 Aug 2004	2.53	43.51	1.21	7	1,453
25 Jul 2005	3.30	42.44	0.87	7	1,335
14 Jul 2006	3.08	36.48	1.68	6	2,020
01 Aug 2007	3.04	33.85	1.65	6	2,210
01 Aug 2007	3.04	33.85	1.65	6	2,210

Under stock option plan B, the share price has been used as an estimate for the fair value at grant date.

For both stock option plans it has been assumed that all options will vest given that there is insignificant historical experience available to provide a reliable estimate.

The expense recognised for employee services received during the year was £35,351,990 (2008: £42,977,398).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

26. SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of share options outstanding during the year

Date of grant of share options	Exercise period of share options		Exercise price per share ¥	No. of shares for each option	Price of ultimate holding company's share at grant date of options ¥	As at 1st April 2008	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Net transfer during the year	As at 31st March 2009
05-Aug-02	01 July 2004	30 June 2009	1,807	1,000	1,520	2	-	-	-	-	-	2
22-Jul-03	01 July 2005	30 June 2010	1,631	1,000	1,553	2	-	-	-	-	-	2
04-Jun-04	01 June 2006	30 June 2011	1	1,000	1,620	14	-	-	-	-	-	14
16-Aug-04	26 July 2006	25 June 2011	1,616	1,000	1,453	2	-	-	-	-	-	2
25-Apr-05	26 April 2007	25 April 2012	1	1,000	1,368	276	-	-	-	-	-	276
25-Jul-05	01 July 2007	30 July 2012	1	100	1,335	430	-	-	-	-	-	430
25-Jul-05	25 July 2007	24 June 2012	1,415	100	1,335	60	-	-	-	-	-	60
24-Apr-06	13 April 2008	12 April 2013	1	100	2,525	15,570	-	-	-	-	-	15,570
12-Jun-06	07 June 2008	06 June 2013	1	100	2,105	446	-	-	-	-	-	446
14-Jul-06	26 July 2008	25 July 2013	2,210	100	2,020	380	-	-	-	-	-	380
25-Apr-07	22 April 2009	21 April 2014	1	100	2,330	33,946	-	-	-	(1,397)	-	32,549
21-Jun-07	02 June 2009	01 June 2014	1	100	2,555	1,189	-	-	-	-	-	1,189
01-Aug-07	26 August 2009	25 August 2014	2,382	100	2,210	390	-	-	-	-	-	390
01-Aug-07	02 August 2009	01 August 2014	1	100	2,210	317	-	-	-	-	-	317
19-Oct-07	24 October 2009	23 October 2014	1	100	1,944	1,826	-	-	-	(470)	-	1,356
23-Apr-08	24 April 2010	23 April 2015	1	100	1,612	-	48,313	-	-	-	-	48,313
23-Jun-08	June 2010	June 2015	1	100	1,638	-	158	-	-	-	-	158

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

26. SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of share options outstanding during the year (continued)

Date of grant of share options	Exercise period of share options		Exercise price per share ¥	No. of shares for each option	Price of ultimate holding company's share at grant date of options ¥	As at 1st April 2008	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Net transfer during the year	As at 31st March 2009
23-Jun-08	24 June 2010	to 23 June 2015	1	100	1,638	-	635	-	-	-	-	635
05-Aug-08	August 2010	to August 2015	1631	100	1,493	-	100	-	-	-	-	100
05-Aug-08	August 2010	to August 2015	1631	100	1,493	-	360	-	-	-	-	360
05-Aug-08	August 2010	to August 2015	1	100	1,493	-	-	-	-	-	-	-
05-Aug-08	August 2010	to August 2015	1	100	1,493	-	-	-	-	-	-	-
10-Nov-08	November 2010	to 10 November 2015	1	100	975	-	-	-	-	-	-	-
10-Nov-08	November 2010	to 10 November 2015	1	100	975	-	658	-	-	-	-	658

* The opening and current year numbers for shares in each option includes expat employed in the Company.

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

26. SHARE-BASED PAYMENTS (CONTINUED)

The following table illustrates the number and weighted average exercise price of the following groups of share options:

	Share Option Plan	Number of share options	Weighted average exercise price ¥
Outstanding at the beginning of the year	A	836	2,229
	B	54,014	1
		54,850	
Granted during the year	A	460	1,631
	B	49,764	1
		50,224	
Forfeited during the year	A	0	
	B	-1,867	1
		-1,867	
Exercised during the year	A	-	
	B	-	1
		-	
Expired during the year	A	-	-
	B	-	-
		-	
Outstanding at the end of the year	A	1,296	232
	B	101,911	1
Exercisable at the end of the year	A	-	
	B	-	1

27. CAPITAL COMMITMENTS

As at 31 March 2009 there were capital commitments of £1,801,518 relating to assets in the course of construction (2008: £2,394,150).

NOMURA INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

28. RELATED PARTY TRANSACTIONS

Profit and loss account

As part of the Company's Merchant Banking operations, financial arrangements are made with certain companies for the purpose of holding investments. As a result of these arrangements, these companies become related parties.

During the year ended 31 March 2009, £1,600,000 (2008: £1,500,000) was earned from the interest income on loans financed and bonds and £Nil from fees and other income. In addition, proceeds from investments wholly or partly disposed of during the year totalled £15,000,000 (2008: £9,900,000).

The amounts above were transacted with the following related parties;

31 March 2009

Nations Healthcare Limited

31 March 2008

Nations Healthcare Limited
Lifeways Community Care Limited

Balance Sheet

Aggregate amounts due from related parties were as follows:

	<u>2009</u>	<u>2008</u>
	£m	£m
Gross amount receivable	8.1	23.0
Reserve against gross balance	(0.5)	(0.4)
Net amount receivable	<u>7.6</u>	<u>22.6</u>

The amounts above were due from the following related parties:

31 March 2009

Meymott Street Holdings Limited
Annington Development (Holdings) Limited
Annington Rentals (Holdings) Limited
Annington Homes Limited

31 March 2008

Meymott Street Holdings Limited
Annington Development (Holdings) Limited
Annington Rentals (Holdings) Limited
Annington Homes Limited
Nations Healthcare Limited

The relationship with Annington Development Holdings, Annington Rentals (Holdings) and Annington Homes falls outside the scope of FRS 8, the value of the warrants held by Nomura Investments (AH) Ltd. (NIAH) has been disclosed as a related party balance in the financial statements under the principal of 'substance over form'. Historically, management have taken the view that as NIAH/Company have the potential to control Annington Homes through exercising the warrants (giving it 75.6% ownership of the company) and is likely to do so in the future.

Meymott Street Holdings Limited is an investment vehicle through which Company hold the investment in Dartfish.

As at 31 March 2009, the Company held financial guarantees of £Nil (2008: £6,500,000) in respect of Nations Healthcare Limited.

The Company has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other entities included in the consolidated financial statements for Nomura Holdings Inc.

NOMURA INTERNATIONAL PLC**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)****29. CONTINGENT LIABILITIES AND COMMITMENTS****Italian Tax Dispute**

On 25 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 relate to payments to the Company of tax credits payable on dividends on Italian shares. The Tax Notice not only denies certain payments to which the Company claims to be entitled but also seeks reimbursement by the Company of sums already refunded to it (in the amount of €33,800,000, including interest).

On 25 March 2008, the Company lodged an appeal against the Tax Notice rejecting the Italian Tax Authorities' demands for reimbursement and advancing the Company's claims for further refunds.

The Company's Directors have sought legal advice in connection with the matters above and believe that the Tax Notice has been wrongly raised against the Company. The Company will vigorously contest the appeal.

Other Litigations

The Company is also party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse impact on the financial position of the Company.

Commitments

The Company had commitments as at 31 March 2009 amounting to £665,837,481 (2008: £99,515,130) in respect of undrawn note issuance facilities, loan commitments, outstanding capital contributions on investments in partnership interests and performance guarantees.

This amount includes the related party loan commitments and performance guarantees. As part of its normal business practices the Company also had commitments as at 31 March 2009 in respect of forward starting purchase and resale agreements with third parties.

30. EVENTS AFTER THE BALANCE SHEET DATE

On 17 April WestLB served proceedings on the Company and Nomura Bank International plc ("NBI"), claiming that under the terms of a note issued by NBI and maturing on 28 October 2008, they were entitled to receive US\$22m, which they claim to be the value of a fund of shares referable to the NBI note. Company, in its role as calculation agent, valued the shares in the fund at zero. WestLB are disputing this valuation. Company and NBI reject WestLB's claim and are vigorously defending the action. Company and NBI filed a defence on 8 June 2009.

31. 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 Nomura Holdings Inc., 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 for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company registered at Nomura House, 1 St. Martin's-le-Grand, London EC1A 4NP, England.

EXHIBIT B

ANNUAL REPORT OF THE GUARANTOR FOR THE YEAR ENDED 31 MARCH 2009

Page references in this Exhibit B refer to pages in the annual report.

NOMURA BANK INTERNATIONAL PLC

ANNUAL REPORT

31 MARCH 2009

COMPANY REGISTERED NUMBER 1981122

NOMURA BANK INTERNATIONAL PLC

BOARD OF DIRECTORS

David Young*	– Non Executive Director and Chairman
Antonio Pironti*	– Non Executive Director
Sir Peter Walters*	– Non Executive Director
Kenji Yokoyama	– Director (formerly President and Chief Executive Officer, resigned 24 June 2009)
Mark Basten	– Director
Mark R.Chapman	– Director
Paul Spanswick	– Director
Hiroshi Yoshizawa	– Director
John Phizackerley	– President and Chief Executive Officer** (appointed 24 June 2009)

* Member of the Audit Committee of the Board

** Subject to FSA approval

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2009 DIRECTORS' REPORT

The Directors present their report and the financial statements of Nomura Bank International plc (the "Bank", or "Company") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Bank's primary role is to support the Nomura Group's Global Wholesale Business. The principal activities identified under this strategy include:

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

The Bank has a branch in Italy.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

During the year the Bank continued to concentrate on in its note issuance and loan businesses and focused on those transactions that add value to both the Nomura Group and its clients.

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

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Change</u> %
Operating Income	220,688	73,148	202%
Profit on ordinary activities before taxation	217,997	70,446	209%
Profit on ordinary activities after taxation	156,958	54,204	190%
Shareholders' funds	433,491	276,533	57%

The Bank reported a profit on ordinary activities before tax for the period of £217,997,000 (2008: £70,446,000). The significant increase in profitability is attributable to the impact of widening credit spreads on the Bank's note issuance business. As the Bank's own credit is included in the fair value of the notes issued, the deterioration of the credit market during the year ended 31 March 2009 has impacted the valuation of the Bank's financial liabilities. As credit spreads widened the balance sheet value of notes issued has reduced and profits have increased. The impact of own credit included in profit on ordinary activities before tax of £229,863,936 (2008: £51,000,000) will unwind as the notes reach maturity or at early redemption.

During 2009 the Bank suffered a downgrading of its Standard & Poor's credit rating from A to A-. In conjunction with the ultimate Nomura Group this was driven by uncertainty over the outlook for the global financial markets.

In March 2009, within its principal activities, the Bank sold its business line of short-term warehousing for senior European leveraged loans.

NOMURA BANK INTERNATIONAL PLC

YEAR ENDED 31 MARCH 2009

DIRECTORS' REPORT (CONTINUED)

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

For the year ending 31 March 2010, the Bank will continue to focus on and expand its activities to support the Nomura group's global wholesale business.

RESULTS AND DIVIDENDS

The results for the year are set out on page 8. No interim dividend was paid in the year (2008: £ nil). The Directors do not recommend the payment of a final dividend (2008: £ nil).

RISK MANAGEMENT

The Bank's market and credit risk is managed through its Credit & Risk Management Committee which is chaired by the Head of Risk Management. The Bank's operational risk is managed through the Board of Directors and the Executive Management Committee, both of which are attended by the NIP Head of Risks & Controls upon invitation. In addition, the Bank's conflicts issues, legal risk and reputational risks are managed through the appropriate dedicated committees of Nomura International plc pursuant to its outsourcing arrangements. The Bank's financial risk management objectives and policies are disclosed in note 22.

DONATIONS

During the year, the Bank made charitable donations of £ nil (2008: £ nil).

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are as shown below:

Kenji Yokoyama	– Director (formerly President and Chief Executive Officer, resigned 24 June 2009)
David Young	– Non Executive Director and Chairman
Sir Peter Walters	– Non Executive Director
Antonio Pironti	– Non Executive Director
Paul Spanswick	– Director
Hiroshi Yoshizawa	– Director
Mark Basten	– Director and Chief Credit Officer
Mark R. Chapman	– Director
John Phizackerley	– President and Chief Executive Officer** (appointed 24 June 2009)

** Subject to FSA approval

None of the directors had any interest in the shares of the Bank or in any Group companies requiring disclosure under Schedule 7 of the Companies Act 1985 during the year.

DIRECTORS' INDEMNITIES

The Bank has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 and 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****DIRECTORS REPORT (CONTINUED)****CREDITORS' PAYMENT POLICY**

The Bank's policy is to settle bills immediately on receipt of invoices from suppliers, dealing quickly with complaints and advising suppliers of disputes.

The components of the calculation specified under the Companies Act 1985 are not readily identifiable from the Bank's accounts which are prepared under Schedule 9 of the Companies Act 1985. However, by identifying as closely as possible the amounts that would equate to trade creditors and purchases and using the calculation specified in the Act, the trade creditor payment days for the Bank for 2009 were approximately 14 days (2008: 14 days).

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who were members of the Board at the time of approving the Directors' Report are listed on the previous page. 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 the 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.

BY ORDER OF THE BOARD

Denise Dillon
Secretary

16 July 2009

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable 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). The financial statements are required by law to 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 UK 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 it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC**

We have audited the financial statements of Nomura Bank International plc for the year ended 31 March 2009 which comprise the Profit and Loss Account, Reconciliation of Movement in Shareholders' Funds, Balance Sheet, Cash Flow Statement and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

NOMURA BANK INTERNATIONAL PLC**YEAR ENDED 31 MARCH 2009****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOMURA BANK INTERNATIONAL PLC (CONTINUED)****OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP (Signed)
Registered Auditor
London
22 July 2009

NOMURA BANK INTERNATIONAL PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

Note	Year ended 31 March 2009		Year ended 31 March 2008	
	£'000	£'000	£'000	£'000
	INCOME			
2	Interest receivable and similar income	90,092	95,555	
2	Interest payable and similar charges	(32,654)	(21,143)	
		57,438	74,412	
	NET INTEREST INCOME			
	Fees and commissions income	3,172	2,548	
	Fees and commissions expense	(899)	(456)	
3	Dealing Profit /(Loss)	160,977	(3,356)	
		220,688	73,148	
	TOTAL OPERATING INCOME			
4	Administrative expenses	(2,691)	(2,702)	
		217,997	70,446	
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
6	Tax on profit on ordinary activities	(61,039)	(16,242)	
21	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	156,958	54,204	

All profits noted above are derived from continuing activities.

There are no recognised gains or losses other than the profit attributable to the Shareholders of the Company as disclosed above.

Included within dealing profit/(loss) on financial instruments designated at fair value through profit and loss is a profit of £229,863,936 (2008: £51,000,000) in relation to changes in own credit risk.

The notes on pages 13 to 37 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2009

Note	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
21	276,533	222,329
	156,958	54,204
	<hr/> 433,491	<hr/> 276,533

The notes on pages 13 to 37 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

BALANCE SHEET - 31 MARCH 2009

Note	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
ASSETS				
8		54,053		736
9		5,541,930		3,663,952
10		10,308		17,216
11				
	217,830		558,641	
	15,682		135,859	
		233,512		694,500
		95		95
12		342,422		208,051
13		35,637		1,190
		567		2,589
TOTAL ASSETS		6,218,524		4,588,329
LIABILITIES				
14		50,458		274,149
15		2,722,070		1,300,032
16		48,715		226,569
17				
	1,857,055		2,026,887	
	-		5,180	
		1,857,055		2,032,067
12		969,444		437,322
		15,950		14,536
18		120,646		26,360
19		695		761
TOTAL LIABILITIES		5,785,033		4,311,796
CAPITAL AND RESERVES				
20		170,000		170,000
21		263,491		106,533
SHAREHOLDERS' FUNDS		433,491		276,533
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		6,218,524		4,588,329

APPROVED BY THE BOARD ON: 16 July 2009

The notes on pages 13 to 37 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

Reconciliation of operating profit to net operating cash flows

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Profit on Ordinary Activities before Taxation		217,997		70,446
Adjustments for:				
Net change in loans and advances to banks and other customers	6,941		139,917	
Net change in loans and advances to affiliates	(1,877,978)		(2,653,218)	
Net change in borrowing from banks and other customers	(401,545)		498,107	
Net change in borrowings from affiliates	1,422,038		1,266,170	
Net change in financial assets designated at fair value through profit and loss	460,988		(44,172)	
Net change in financial liabilities designated at fair value through profit and loss	(175,013)		474,552	
Net change in derivative assets	(134,371)		(145,591)	
Net change in derivative liabilities	532,122		360,602	
Net change in other assets	(34,447)		(358)	
Net change in other liabilities	35,617		(6,754)	
Net change in prepayments and accrued income	2,022		(374)	
Net change in accruals and deferred income	1,414		9,746	
Net change in provisions for liabilities and charges	-		(1,550)	
		<u>(162,212)</u>		<u>(102,923)</u>
Net cash flow from operating activities		55,785		(32,477)

The notes on pages 13 to 37 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

CASH FLOW STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2009

CASH FLOW STATEMENT

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Net cash flow from operating activities	55,785	(32,477)
Taxation	(2,435)	34
Increase/ (Decrease) in cash	53,350	(32,443)

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

31 March 2009	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Cash Flow</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Loans and advances to other banks repayable on demand	54,053	53,350	703

31 March 2008	<u>Year ended</u> <u>31 March 2008</u> £'000	<u>Cash Flow</u> £'000	<u>Year ended</u> <u>31 March 2007</u> £'000
Loans and advances to other banks repayable on demand	703	(32,443)	33,146

The notes on pages 13 to 37 form part of these financial statements.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared under the historic cost convention, as modified by the revaluation of trading securities, derivatives and other financial instruments, in accordance with applicable accounting standards, and Statements of Recommended Accounting Practice (SORPS) issued by the British Bankers' Association (BBA). With the exception of certain accounting and disclosure requirements detailed below, the financial statements have been prepared in accordance with the special provisions of Part VII and Schedule 9 of the Companies Act 1985 relating to banking companies.

As detailed in note 1 (e)(ii) below, management has designated certain non-trading financial instruments as fair value through profit and loss. Interest receivable and payable on such instruments has been included as part of dealing profit and not disclosed separately. In so far as the disclosure of interest receivable and payable on such instruments and the valuation of those financial instruments that constitute non-trading liabilities represent a departure from the accounting requirements of the Companies Act 1985, the directors consider it necessary for the financial statements to show a true and fair view.

This follows the guidance of the Accounting Standards Board in implementation note 19 of FRS 26 which recommends the use of the true and fair override in circumstances where there would otherwise be potential for substantial artificial volatility in the financial statements. The directors believe this situation arises in relation to the Bank's issuance of credit and equity linked notes in support of client investment activity. If the true and fair override were not utilised the bank would be required to report these non-trading liabilities at amortised cost and identify the terms of any embedded derivatives. In accordance with the terms of FRS 26, 'Financial Instruments: Measurement' certain of these embedded derivatives would require separation and reporting at fair value with movements taken to the profit and loss account. On the basis of the complexity involved in identifying and fair valuing embedded derivatives, as well as separately disclosing interest receivable and payable on financial liabilities designated as fair value through profit and loss account, the impact on the financial statements of not adopting the true and fair override has not been quantified.

(b) Changes in Accounting Policy

During the year no accounting policy changes have been applied.

Where appropriate, prior year figures have been restated to conform with current year presentation.

(c) Foreign Currencies

The financial statements are presented in Sterling, which is the functional currency of the Bank.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities in foreign currencies are re-translated at rates of exchange ruling on the balance sheet date. Foreign exchange gains and losses resulting from the re-translation and settlement of these items are recognised in the profit and loss account.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(d) Operating Income(i) **Interest receivable**

Interest income is recognised in the profit and loss account for all interest bearing financial assets classified as available for sale and other loans and advances using the effective interest method.

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. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

(ii) **Interest payable**

Interest expense is recognised in the profit and loss account for all interest bearing financial liabilities using the effective interest method, except for liabilities held at fair value through profit and loss.

(iii) **Dealing profits/(losses)**

Income arising from gains and losses on financial instruments designated as fair value through profit and loss is included in dealing profits/(losses). Interest on these positions is included, as it is integral to the dealing profit and distinct from interest on banking activities.

Dealing profits arise on a strategy basis across a range of instruments, and are managed accordingly. It is presented on a net basis, even though the corresponding financial assets and liabilities may not have been offset on the balance sheet in accordance with the presentation requirements of FRS 25.

(iv) **Fee income/(expense)**

Fee income relating to loans and advances is recognised in the profit and loss account to match the cost of providing a continuing service, except where the fee amounts in substance to an additional interest charge, when it is recognised on an effective interest rate basis over the life of the advance as part of Interest Income.

Fees arising from the facilitation and servicing of note issuances are recognised in the profit and loss account as the service is provided.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets and liabilities

The Bank classifies its financial instruments in the following categories: financial instruments at fair value through profit and loss, loans and receivables, available for sale financial assets and other financial liabilities. Management determines the classification of financial assets and liabilities on initial recognition depending upon the purpose for which the financial instruments were acquired and their characteristics. Where allowed and appropriate, management re-evaluates this designation at each financial year end. The recognition and de-recognition policies of financial assets and liabilities are set out below.

(i) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides loans and advances directly to a counterparty with no intention of trading the receivable. Loans are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment or when all significant benefits and risks have been transferred to a third party.

Such assets are carried at amortised cost, using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account, when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables specifically relate to the following balance sheet classifications: Loans and advances to banks, Loans and advances to affiliates and Other loans and advances.

(ii) **Financial instruments designated at fair value through profit and loss**

Management designates certain non-derivative financial instruments in this category under the fair value option including non-trading liabilities as detailed in note 1(a) above.

These instruments are recognised initially at fair value and transaction costs are taken directly to the profit and loss account. Gains and losses arising from changes in fair value are included in the profit and loss account.

Financial assets are recognised and derecognised using trade date accounting, being the date on which the Bank commits to purchase or sell the asset, or settlement date as appropriate for cash and non-cash products.

Management designates certain groups of financial instruments as fair value through profit or loss, including certain non-trading liabilities, where doing so results in more relevant information. Instruments so designated are hybrid products whose risks are managed on a fair value basis using a mixture of derivative or non-derivative products. The designation is applied to all non-derivative financial instruments within the group.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(iii) **Available for sale investments**

Available for sale investments are non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are recognised and derecognised using trade date accounting, being the date on which the Bank commits to purchase or sell the asset. Amounts are initially recognised at fair value including any direct and incremental transaction costs and subsequently held at fair value.

Where applicable interest is determined using the effective interest method and impairment losses are recognised in the profit and loss account. Gains and losses arising from changes in fair value are taken to the statement of recognised gains and losses until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss is transferred to the profit and loss account.

Any reversal of impairment losses on non Equity available for sale investments is taken to the profit and loss account. Reversals of impairment losses on Equity available for sale investments are taken to the statement of recognised gains and losses.

(iv) **Other liabilities**

Financial liabilities, are initially recognised on settlement date at fair value including any direct and incremental transaction costs, and are derecognised on repayment.

Such liabilities are measured at amortised cost, using the effective interest method.

(f) **Sale and repurchase agreements**

The Bank enters into agreements to sell certain debt securities and then repurchase them at a later date. These debt securities are retained on the company's balance sheet, and the purchase price received by the Bank shown as a liability to the purchaser.

The Bank also enters into agreements with counterparties for them to sell to the Bank certain debt securities, and then repurchase them at a later date. These debt securities are excluded from the Bank's inventory and the purchase price paid for the securities shown as an amount receivable from the vendor.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method.

The Bank has not currently entered into any sale and repurchase agreements.

(g) **Derivatives**

All derivatives are recognised initially and subsequently carried at fair value. Derivatives are recorded in the balance sheet at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Bank uses derivatives to hedge interest rate, equity, credit and exchange rate exposures related to non-trading positions. These derivatives are treated in the same way as derivatives used for trading purposes unless they meet the specified criteria to obtain hedge accounting treatment. The Bank currently has no derivatives on which hedge accounting is applied.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives (continued)

No derivatives are currently used for trading purposes. Any realised and unrealised gains and losses would be recognised in the profit and loss account.

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and the hybrid contract itself is not carried at fair value, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the profit and loss account.

The assessment of whether the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract, and therefore whether the embedded derivative needs to be bifurcated from the host contract, is initially made when the hybrid contract is entered into. This assessment is only reconsidered if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. A modification is considered significant if the present value of the future cash flows under the new terms is at least 10% different from the present value of the remaining cash flows under the terms of the original contract.

(h) Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of quoted investments are determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions) at the close of business on the balance sheet date, without any deduction for transactions costs. Where there is no active market, fair value is determined using valuation techniques. The fair value of derivatives is determined using independent price sources and industry standard modelling techniques, as appropriate.

When entering into a transaction, the financial instrument is initially recognised at the transaction price which is the best indicator of fair value. Where the fair value obtained from a valuation model differs to the transaction price, this initial difference in fair value is recognised in the profit and loss account provided the market data used within the model is observable. Where the fair value obtained from the valuation model is not based solely on data from observable markets, this initial difference is not recognised in the profit and loss account until such data becomes observable.

(i) Impairment

The Bank assesses at the balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date and that loss event has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the assets original effective interest rate. The amount of the loss is included in the profit and loss account. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised the previously recognised impairment loss is reversed in the profit and loss account.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

For debt securities classified as Available for sale the amount of impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss in that investment previously recognised in the profit and loss account.

The calculation of the present value of the expected future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure cost for obtaining and selling the collateral whether or not foreclosure is possible.

(j) Collateral and Netting

The Bank enters into agreements with counterparties whenever possible and, when appropriate, obtains collateral.

The Bank holds collateral in respect of credit-related instruments where this is considered desirable, given the customer's financial position and the overall banking relationship. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities.

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

(k) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Bank's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to be reversed based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

(l) Retirement Benefits

Defined Benefit Scheme:

The Bank is a member of a funded scheme comprising certain UK Nomura companies administered by a fellow subsidiary undertaking, Nomura International plc. The scheme is run on a basis that does not enable the Company to identify its share of assets and liabilities. Financial Reporting Standard 17 'Retirement Benefits' requires that for group schemes run on a basis that does not allow the individual companies participating within the group scheme to identify their share of the underlying assets and liabilities, the company should account for the scheme as a money purchase scheme.

(m) Provisions for liabilities and charges

A provision can be recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(n) Cash flow statement

The Bank uses the indirect method to produce a cash flow statement in accordance with FRS 1 (revised).

2. INTEREST INCOME

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Interest Income		
Deposits	86,267	93,270
Interest on commercial term loans	3,783	2,137
Other interest income	42	148
	<hr/> 90,092	<hr/> 95,555
 Interest Expense		
Banks and customers	17,832	2,809
Loans	14,822	19,531
Interest on tax provision	-	(1,197)
	<hr/> 32,654	<hr/> 21,143

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

3. DEALING PROFIT/(LOSS)

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Financial instruments held for trading	(671,190)	(303,953)
Financial instruments designated at fair value through profit and loss account	832,167	300,597
	<hr/> 160,977	<hr/> (3,356)

All amounts included within dealing profits arise from changes in fair values that have been estimated using valuation techniques.

The current year impact of changes in own credit risk included in dealing profits on financial instruments designated at fair value through profit and loss account was a profit of £229,863,936 (2008: £51,000,000).

With regard to segmental analysis, substantially all of the Bank's gross and net assets and profit before taxation arose from banking business transacted within the United Kingdom.

4. ADMINISTRATIVE EXPENSES

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Wages and salaries	98	58
Social security costs	20	7
Support service charges	2,471	2,569
Audit fees	102	68
	<hr/> 2,691	<hr/> 2,702

The Bank has outsourced all its support services and has no employees but utilises the services of five executive directors and three non-executive directors.

5. DIRECTORS' EMOLUMENTS

The aggregate emolument of directors borne by the Bank was £98,000 (2008: £57,917).

The highest paid director received emoluments of £50,000 (2008: £46,667). As at 31 March 2009 his accrued pension totalled £ nil per annum (2008: £ nil) and no contributions were made to the Group Personal Pension plan.

In addition, other directors received total emoluments of £520,249 (2008: £495,044) for their services to the Bank, the cost of which was borne by Nomura International plc.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) TAX CHARGE

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Current tax:		
UK Corporation tax at 28% (2008: 30%)	(61,104)	(20,769)
Adjustment in respect of prior years	-	4,468
	<hr/>	<hr/>
	(61,104)	(16,301)
Deferred Taxation:		
Effect of change in tax rate	-	54
Current year timing differences	65	5
Tax on profit on ordinary activities	<hr/>	<hr/>
	(61,039)	(16,242)

(b) RECONCILIATION OF CORPORATION TAX CHARGE

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Net Profit before Tax	<hr/>	<hr/>
	217,997	70,446
UK Corporate tax charge at 28% (2008: 30%)	(61,039)	(21,134)
Effects of:		
Non-taxable release of provision	-	370
Adjustment relating to prior year	-	4,468
Timing differences	(65)	(5)
Current corporation tax charge for the year	<hr/>	<hr/>
	(61,104)	(16,301)

7. PENSION

The Bank participates in a group scheme which is operated for the former employees of the Bank and certain of its fellow subsidiaries. The scheme is a defined benefit scheme, funded by the payment of contributions to a separately administered trust fund. The contributions to the scheme are determined by a qualified actuary. A full actuarial valuation of the defined benefit pension scheme was undertaken at 31 March 2006 and updated to 31 March 2008 by William M Mercer Limited, qualified independent actuaries.

During the year ended 31 March 2009, Nomura International plc has made additional contributions in order to fully fund the defined benefit liability pension scheme and, as a consequence, as at the balance sheet date the value of the plan assets exceeded the value of the plan liabilities, i.e. there was a surplus. However, FRS 17 limits the defined benefit asset that can be recognised in the balance sheet to the maximum amount that can be recovered through reduced contributions in the future expected to arise from future benefits to be accrued by active members. As the plan closed to all future accrual with effect from 31 October 2005, there is no future benefit accrual and therefore the plan is subject to a net asset limit whereby in these circumstances it is not possible for any surplus to be recognised in Nomura International plc's balance sheet.

As at 31st March 2009 and 31 March 2008 the group scheme deficit was £ Nil.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

8. LOANS AND ADVANCES TO BANKS

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Remaining maturity:		
- Cash on demand	54,053	703
- 3 months or less	-	33
	<hr/> 54,053	<hr/> 736

9. LOANS AND ADVANCES TO AFFILIATES

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Remaining maturity:		
- 3 months or less	5,541,930	3,663,952
	<hr/> 5,541,930	<hr/> 3,663,952

10. OTHER LOANS AND ADVANCES

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Other loan	10,308	16,476
Cash collateral	-	740
	<hr/> 10,308	<hr/> 17,216

The remaining maturity of the other loan is within one to five years of the balance sheet date.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

11. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Bonds and medium term notes, by remaining maturity:		
- less than 1 year	152,301	521,489
- 5 years or less but over 1 year	14,050	7,796
- over 5 years	51,479	29,356
Other financial instruments	15,682	135,859
	233,512	694,500

Included within other financial instruments are loans to the value of £15,682,191 (2008: £132,934,348).

12. Derivative financial instruments

Positive fair values

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Analysis by counterparty		
Affiliates	342,422	206,138
Other Financial Institutions	-	1,913
	342,422	208,051

Negative fair values

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Analysis by counterparty		
Affiliates	910,011	372,346
Other Financial Institutions	59,433	64,976
	969,444	437,322

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

13. OTHER ASSETS

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Other assets	35,637	1,190
	35,637	1,190

All amounts are receivable within one year.

14. CUSTOMER ACCOUNTS

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Remaining maturity;		
- Repayable on demand	3,665	4,978
- 3 months or less	46,793	269,171
	50,458	274,149

15. BORROWING FROM AFFILIATES

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Remaining maturity:		
- 3 months or less	2,722,070	1,300,032
	2,772,070	1,300,032

16. BORROWING FROM OTHERS

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Remaining maturity:		
- less than 1 year	48,715	226,569
	48,715	226,569

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

17. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Bonds and medium term notes, by remaining maturity:		
- less than 1 year	453,631	649,859
- 5 years or less but over 1 year	504,856	626,281
- over 5 years	898,568	750,747
Other financial instruments	-	5,180
	<hr/> 1,857,055	<hr/> 2,032,067

The current year impact of changes in own credit risk included in dealing profits/ (losses) on financial instruments designated at fair value through profit and loss was a profit of £229,863,936 (2008: £51,000,000).

18. OTHER LIABILITIES

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Corporation tax	81,873	23,204
Financial Instruments in the course of settlement	38,717	1,805
Payable to others	56	1,351
	<hr/> 120,646	<hr/> 26,360

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

19. DEFERRED TAXATION

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
Capital allowances	324	405
General Provisions	7	7
FRS 26 adjustment	(1,026)	(1,173)
	<u>(695)</u>	<u>(761)</u>
Balance as at 1 April	(761)	(820)
Effect of change in tax rate	-	54
Deferred tax movement to profit and loss account	66	5
	<u>(695)</u>	<u>(761)</u>
Balance at 31 March	<u>(695)</u>	<u>(761)</u>

There is no un-provided deferred taxation in the Bank as at 31 March 2009: (2008: £nil).
Deferred tax has been provided at 28% (2008:28%).

20. SHARE CAPITAL

<u>31 March 2009</u>	<u>Authorised</u> <u>Number</u> <u>'000</u>	<u>Allotted and fully paid</u> <u>Number</u> <u>'000</u>	<u>Consideration</u> <u>£'000</u>
Sterling Ordinary shares of £1 each	200,000	170,000	170,000
<u>31 March 2008</u>	<u>Authorised</u> <u>Number</u> <u>'000</u>	<u>Allotted and fully paid</u> <u>Number</u> <u>'000</u>	<u>Consideration</u> <u>£'000</u>
Sterling Ordinary shares of £1 each	200,000	170,000	170,000

21. PROFIT AND LOSS RESERVES

	<u>Year ended</u> <u>31 March 2009</u> £'000	<u>Year ended</u> <u>31 March 2008</u> £'000
As at 1 April	106,533	52,329
Retained Profit for the year	156,958	54,204
	<u>263,491</u>	<u>106,533</u>

With regard to segmental analysis, substantially all of the Bank's gross and net assets and profit before taxation arose from banking business transacted within the United Kingdom.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT

The Bank's activities involve both the assumption and transfer of certain risks which must be managed. The most important types of risk are market risk, credit risk (including counterparty credit risk), liquidity risk and cash flow interest rate risk. Market risk includes currency risk, price risk and fair value interest rate risk.

The Role of Financial Instruments

The Bank's primary role is to support the Nomura Group's Global Wholesale business. To this end, the Bank issues debt with returns linked to equity, credit instruments or other indices. The Bank actively manages the resultant risk on a fair value basis using a combination of derivative and non-derivative financial instruments with the express intention of eliminating significant market risk arising from such transactions.

The Bank also continues to offer traditional banking products to facilitate Global Wholesale customer business such as credit facilities, guarantees and letters of credit.

In addition to the debt issuance noted above, the Bank obtains financing from capital, bank and intercompany borrowings.

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks through its overall risk management approach and approval of risk strategies and principles. Responsibility for risk reporting and control is undertaken by the following independent departments within NIP as well as committees set up within the Bank under the service level agreement with NIP.

NIP Committees/Departments

Capital Allocation

Regional Business line requests for capital are approved in the first instance by the European Executive Management Committee before submission to the Global Wholesale Committee in Tokyo for approval as part of the Global Budgeting and Capital Allocation process.

Treasury Department

The Treasury Department monitors compliance with the Company's liquidity, currency and cash flow policies.

Corporate Risk Management Department

The Corporate Risk Management Department monitors and reports compliance with internally set market risk limits.

Investment Evaluation and Credit Department

The Investment Evaluation and Credit Department monitors and reports compliance with internally set credit limits.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Finance Department

The Finance Department monitors compliance with internally and externally set regulatory limits and guidelines.

Risks and Controls Department

The Risks and Controls Department monitors, evaluates and conducts forensic investigations on operational risk issues and the internal control framework. It then reports on these to the Executive Management Committee. The Risks and Controls department is independent from the Internal Audit function.

Internal Audit

The Internal Audit Department has independent reporting lines to the Chairman of the Audit Committee of the Company's immediate parent. Internal audit performs a comprehensive review of systems and processes on a periodic basis.

The Bank's Committees

Audit Committee

The Audit Committee assists in establishing and monitoring policies and procedures in relation to risk controls. It also monitors compliance with legislative and regulatory requirements, amongst others, as well as considering the adequacy of systems and controls as detailed under the out sourcing agreement with NIP.

Executive Management Committee

The Executive Management Committee under authority delegated by the Board of Directors is responsible for overseeing the management of the Bank. In this capacity it receives reports on a regular basis from the Credit and Risk Management Committee.

Credit & Risk Management Committee

The Credit & Risk Management Committee is a sub-committee of the Executive Management Committee. The Committee considers matters relating to credit, market, operational and reputational risk. The Bank's credit policy stipulates that any investment grade exposures which have not been hedged, collateralised or repackaged within 12 months of take-on must be fully hedged out to acceptable counterparties. Any non-investment grade risk, may subject to prior approval by the NBI Credit & Risk Management Committee, be held for up to nine months after which time it will be hedged, repackaged or disposed.

Risk Measurement and Reporting Systems

Risk reporting and control is administered via the Management Information System (MIS) which provides daily financial indicators including profit and loss, Value-at-Risk (VaR), Nomura Capital Allocation Target (NCAT), inventory, regulatory capital, unsecured funding and all related limits. Monitoring is applied at all levels in the business hierarchy, specifically business strategy, trading desk, division and company wide.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market Risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Within the Nomura European Group, there is a formal process for the allocation and management of Economic Capital (NCAT) which is facilitated through the capital allocation agenda discussed by the Capital Allocation Committee on a semi-annual basis

The primary mechanism for measuring and reporting market risk is a framework consisting of VaR and numerous business focused risk limits, such as option risk factors. The effectiveness of VaR is assessed by a comparison of actual daily trading gains/losses with the estimated VaR, a process known as backtesting. VaR is only applied to those assets for which it provides a meaningful estimate of risk.

The Bank uses the statistical technique known as Value-at-Risk (VaR) as one of the tools used to measure, monitor and review the market risk exposures of its trading portfolios. The Risk Management Department calculates VaR numbers daily for all relevant businesses and these figures are included in daily reporting to senior management.

The Bank transfers its risks to other Nomura Group companies using derivative products therefore the market risk is immaterial. No additional VaR disclosures have been made.

i) **Equity Price Risk and Issuer Credit Risk**

The primary sources of equity price risk and issuer credit risk for the Bank arise from the issuance of debt with returns linked to equity, credit instruments or other indices. The Bank mitigates such risks through either the purchase of the underlying debt or equity products as direct hedges or by transferring such risks to other Nomura Group companies using derivative products.

As described in note 1(e) (ii) management designates such debt instruments, together with related non-derivative hedges, as fair value through profit and loss. Related derivative hedges are accounted for as Held For Trading items.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

An analysis of the risks for non-trading liabilities designated at fair value on a notional basis at 31 March 2009 is shown in the table below:

31 March 2009:	<u>Equity Risk</u> £'000	<u>Credit Risk</u> £'000	<u>Total</u> £'000
Financial instruments designated at fair value through profit and loss:			
- Financial liabilities	(1,990,261)	(812,570)	(2,802,831)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	310,537	90,014	400,552
Derivative Financial Instruments			
- Credit derivatives	-	722,556	722,555
- Equity swaps	1,679,724	-	1,679,724
	-	-	-
31 March 2008:	<u>Equity Risk</u> £'000	<u>Credit Risk</u> £'000	<u>Total</u> £'000
Financial instruments designated at fair value through profit and loss:			
- Financial liabilities	(2,011,654)	(308,048)	(2,319,702)
Financial instruments designated at fair value through profit and loss:			
- Financial assets	289,505	110,308	399,813
Derivative Financial Instruments			
- Credit derivatives	-	197,740	197,740
- Equity swaps	1,722,149	-	1,722,149
	-	-	-

ii) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. 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, a process achieved using currency swap transactions.

It is always the Bank's intention to eliminate material structural or transactional currency risk.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii) **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. Fair value interest rate risk arises from mismatches between the future yield on financial assets and their associated funding costs as a result of interest rate changes.

It is the Bank's policy to mitigate such risk through minimising the mismatch of the dates on which interest receivable on financial assets and interest payable on liabilities are next reset to the market rates or, if earlier, the date on which the instruments mature. Where applicable, derivative transactions are used to reduce this interest rate gap. In accordance with the outsourcing contract, Nomura International plc's Treasury department monitors compliance with interest rate gap policies.

At 31 March 2009, the Bank had no significant exposure to fair value interest rate risk.

b) **Credit Risk**

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. Credit derivatives are also used to reduce exposure or to hedge credit risk with respect to issuers.

NIP's Investment Evaluation and Credit function is responsible for managing credit risks to which the Bank is exposed.

Counterparty exposure is managed through a process of limit setting and exception reporting with credit policy setting the maximum exposure and tenor based on credit rating. The Bank uses a scale of internal ratings that mirror the credit-rating agencies' rating scales. Changes to credit policy are presented to the Executive Management Committee, as are all credit actions.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the balance sheet. Credit derivatives exposure is calculated taking into account the credit quality of the underlying issue and the counterparty. The Bank trades using market convention documentation and, where appropriate, credit enhancements will be added to the documentation.

Counterparty exposure limits are set within the external Large Exposure limit requirements laid down by the Bank's regulator, the Financial Services Authority.

As described in note 1(j), the Bank enters into netting agreements with certain counterparties to mitigate its exposure to credit loss. Amounts are only netted if there is a legal right to offset and the entity intends to settle on a net basis, or to realise an asset and settle the liability simultaneously. The impact of offsetting financial assets and financial liabilities which are subject to master netting agreements is not reflected in the balance sheet. At 31 March 2009 no transactions meet these criteria.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk Exposure

The Bank's maximum exposure to credit risk at balance sheet date is disclosed below, based on the carrying amount of the financial assets the Bank believes is subject to credit risk, without taking account of any collateral held or any other credit enhancements. Certain off balance sheet instruments which expose the Bank to a risk of loss due to default by the parties underlying these contracts are also disclosed.

	<u>Maximum Exposure</u> <u>to Credit Risk</u>	<u>Maximum Exposure</u> <u>to Credit Risk</u>
	<u>2009</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Loans and advances to banks	54,053	736
Loans and advances to affiliates	5,541,930	3,663,952
Other loans and advances	10,308	17,216
Financial assets designated at fair value through profit and loss		
- Bonds and medium term notes	217,830	558,641
- Other financial instruments	15,682	135,859
Available for sale financial investments	95	95
Derivative financial instruments	342,422	208,051
Other assets	35,637	1,190
Prepayments and accrued income	567	2,589
	<hr/>	<hr/>
Off balance sheet commitments	17,446	48,217
	<hr/>	<hr/>
Total exposure to credit risk	6,235,970	4,636,546

Taking into account collateral and other credit enhancements, the significant credit risk is to NIP.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maximum Exposure to Credit Risk by Credit Rating

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 Bank's internally determined public rating agency equivalents.

	<u>Maximum Exposure to Credit Risk</u> <u>2009</u> £'000	<u>Maximum Exposure to Credit Risk</u> <u>2008</u> £'000
Credit Rating		
AAA	-	-
AA	182	740
A	52,898	4,320,477
BBB	6,052,150	
BB		73,409
B	2,913	40,364
Not Rated	18,208	21,464
Unratable	92,173	131,875
Total	6,218,524	4,588,329
Off balance sheet commitments		
BB	17,446	48,217
Total	17,446	48,217
Total exposure to credit risk by credit rating	6,235,970	4,636,546

The unrated balance represents the pool of counterparties which individually do not generate material credit risk for the Bank.

There are no financial assets that are past due or impaired.

Concentrations of Credit Risk

Due to the Bank's approach to mitigating risk, it is not exposed to any significant concentration risk other than that from other Nomura group companies.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity Risk

Liquidity risk represents the risk that the Bank will be unable to meet its financial obligations as they become due as a result of difficulty in realising financial assets or otherwise obtaining funding to satisfy those financial liabilities.

The Bank manages liquidity to ensure that all foreseeable financial obligations can be met as they fall due. This includes repayment at maturity of securities issued, as well as meeting commitments to lend and any obligations to pay funds due on derivative transactions.

Liquidity risk is controlled by a process that ensures that cumulative financing requirements are restricted to pre-set levels. The Bank's liquidity management includes monitoring balance sheet liquidity ratios against internal and regulatory requirements, projecting future cash flows and maintaining liquidity and funding contingency plans.

To ensure that the Bank has sufficient reserves to guard against any unforeseen event, the Treasury department operates within an unsecured funding limit that is set at a level significantly below what is estimated to be available.

In addition, a key operating principle of the Treasury department is to withstand market shocks for periods lasting up to one year without either issuing new unsecured financing or liquidating trading assets. This is achieved by maintaining sufficient long-term debt and equity to meet the cash capital requirements of all the Bank's assets and holding a global portfolio of cash and highly liquid securities that could be monetised through either sale or pledge to meet immediate requirements.

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

Contractual Maturity Table

The table below shows the Bank's financial liabilities by remaining contractual maturity, taking into account early redemption features. Derivatives and other instruments containing embedded derivatives including structured note issuances and other financial liabilities designated at fair value are presented at their fair values. Derivatives are disclosed on demand while financial liabilities designated at fair value are disclosed based on their earliest redemption date. Given the complex nature of the Bank's financial liabilities designated at fair value and the volatility in relation to the performance of the underlying instruments, fair value is deemed an appropriate measure of the contractual amount at maturity.

	<u>On</u> <u>demand</u>	<u>Less</u> <u>than 1 yr</u>	<u>1-5 yrs</u>	<u>5yrs+</u>	<u>Total</u>
	<u>2009</u> <u>£'000</u>	<u>2009</u> <u>£'000</u>	<u>2009</u> <u>£'000</u>	<u>2009</u> <u>£'000</u>	<u>2009</u> <u>£'000</u>
Customer accounts	3,665	46,793	-	-	50,458
Borrowing from affiliates	-	2,722,070	-	-	2,722,070
Borrowing from others	-	48,715	-	-	48,715
Financial liabilities designated at fair value through profit and loss					
- Bonds and medium term notes	-	453,631	504,856	898,568	1,857,055
- Other financial instruments	-	-	-	-	-
Other liabilities	-	38,717	-	-	38,717
Derivative financial instruments	969,444	-	-	-	969,444
Total financial liabilities	973,109	3,309,926	504,856	898,568	5,686,459

	<u>On</u> <u>demand</u>	<u>Less</u> <u>than 1 yr</u>	<u>1-5 yrs</u>	<u>5yrs+</u>	<u>Total</u>
	<u>2008</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>	<u>2008</u> <u>£'000</u>
Customer accounts	4,978	269,171	-	-	274,149
Borrowing from affiliates	-	1,300,032	-	-	1,300,032
Borrowing from others	-	226,569	-	-	226,569
Financial liabilities designated at fair value through profit and loss					
- Bonds and medium term notes	-	649,807	625,359	748,211	2,023,377
- Other financial instruments	-	5,180	-	-	5,180
Other liabilities	-	1,805	-	-	1,805
Derivative financial instruments	437,322	-	-	-	437,322
Total financial liabilities	442,300	2,452,564	625,359	748,211	4,268,434

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

23. 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 loans and receivables and other liabilities due within 12 months are assumed to approximate to their carrying values.
- b) Financial assets classified as available for sale are measured at fair value by reference to quoted markets prices when available. If quoted market prices are not available, then fair values are estimated using a valuation model.
- c) Financial assets and 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, then fair values are estimated using a valuation model. Such 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. The potential impact of using reasonably possible alternative assumptions to value these financial instruments has not been disclosed as, due to the Bank's transfer of risks to other Nomura Group companies, it is not deemed significant,.

24. CAPITAL MANAGEMENT POLICY

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank is able to withstand losses due to extreme market movements. The Bank looks to mitigate risk through the use of derivative arrangements with other Nomura Europe group companies. The Bank reviews the appropriate level of capital adequacy, with senior management responsible for implementing and enforcing capital policies. The determination of balance sheet size and level of capital take into consideration regulatory requirements, economic risks inherent in its business and maintenance of a desirable debt rating. The allocation of available capital resource across the business is then based upon factors such as return on capital and regulatory requirements.

The Bank is subject to and has complied with the regulatory requirements imposed by the Financial Services Authority (FSA) under the Basel II framework.

No changes were made in the objectives, policies or processes for managing capital in the year.

Regulatory Capital

Regulatory guidelines developed by the Basel Committee and European Union Directives, as implemented by the FSA for supervisory purposes define three 'Tiers' of capital resources. Tier 1 capital is the highest tier and consists of, inter alia, ordinary share capital, and audited retained earnings. The Bank does not currently contain Tier 2 or Tier 3 capital.

	<u>2009</u> £'000	<u>2008</u> £'000
Tier 1 capital	240,825	222,329
Total capital resources	<u>240,825</u>	<u>222,329</u>

NOMURA BANK INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009 (CONTINUED)

25. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

In 1998 the Bank sold its leasing business to a third party. HM Revenue & Customs has made an assessment of £6.4 million which remains unpaid by the new owners. As at 31 March 2009, the additional interest on this tax assessment balance stands at an estimated £4.0 million. The Bank's directors have sought legal advice and believe that the assessment has been wrongly made against the Bank. The Bank has, therefore, appealed the assessment and intends vigorously to contest the matter.

Other Litigations

The Bank is also party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse impact on the financial position of the Bank.

Commitments

The Bank had commitments as at 31 March 2009 amounting to £17,446,000 (2008: £48,217,071) in respect of undrawn note issuance facilities and loan commitments.

26. EVENTS AFTER THE BALANCE SHEET DATE

WestLB

On 17 April WestLB served proceedings on Nomura International plc ("NIP") and Nomura Bank International plc ("NBI"), claiming that under the terms of a note issued by NBI and maturing on 28 October 2008, they were entitled to receive US\$22m, which they claim to be the value of a fund of shares referable to the NBI note. NIP, in its role as calculation agent, valued the shares in the fund at zero. WestLB are disputing this valuation. NIP and NBI reject WestLB's claim and are vigorously defending the action. NIP and NBI filed a defence on 8 June 2009.

27. RELATED PARTY TRANSACTIONS

The Bank has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other entities included in consolidated financial statements for Nomura Holdings, Inc.

28. ULTIMATE PARENT COMPANY

The Bank's ultimate parent company and controlling party, and the parent that heads the largest group of undertakings for which consolidated financial statements are prepared, is Nomura Holdings, Inc., which is incorporated in Japan.

The parent that heads the smallest group of undertakings for which consolidated financial statements are prepared is Nomura Europe Holdings plc, a company which is incorporated in the United Kingdom.

Copies of the financial statements of Nomura Holdings, Inc. and Nomura Europe Holdings plc can be obtained from 9-1, Nihonbashi 1-chome, Chuo-ku. Tokyo 103-8645, and Nomura House, 1 St. Martin's-le-Grand, London EC1A 4NP, respectively.

EXHIBIT C

UNAUDITED CONDENSED FINANCIAL STATEMENTS OF THE GUARANTOR FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

The unaudited condensed financial statements of the Guarantor for the six months ended 30 September 2009 has been extracted from the Guarantor's half year report (**Guarantor's half year report**) and comprises a profit and loss account, balance sheet, cash flow statement and notes 1 to 4.

Page references in this Exhibit C refer to pages in the Guarantor's half year report.

**NOMURA BANK INTERNATIONAL PLC
 PROFIT AND LOSS ACCOUNT
 FOR THE PERIOD ENDED 30 SEPTEMBER 2009 (UNAUDITED)**

Note	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
INCOME			
Interest receivable and similar income	16,458	90,092	56,985
Interest payable and similar charges	(8,277)	(32,654)	(23,670)
NET INTEREST INCOME	8,181	57,438	33,315
Fees and commissions receivable	3,016	3,172	1,631
Fees and commissions payable	(205)	(899)	(357)
Dealing (losses)/profits	(223,308)	160,977	33,447
TOTAL OPERATING (LOSS)/INCOME	(212,316)	220,688	68,036
Administrative expenses	(1,990)	(2,691)	(1,802)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(214,306)	217,997	66,234
2 Tax on (loss)/profit on ordinary activities	60,006	(61,039)	(18,545)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(154,300)	156,958	47,689

All (losses)/profits noted above are derived from continuing activities.

There are no recognised gains or losses other than the (loss)/profit attributable to the Shareholders of the Company as disclosed above.

Included within dealing (loss)/profit on financial instruments designated at fair value through profit and loss is a loss of £(201,551,964) in relation to changes in own credit risk. For March 2009 a profit of £229,863,936 (September 2008: £54,054,938) was included in relation to changes in own credit risk.

NOMURA BANK INTERNATIONAL PLC

BALANCE SHEET - 30 SEPTEMBER 2009 (UNAUDITED)

	<u>30 Sept 2009</u> £'000	<u>30 Sept 2009</u> £'000	<u>31 March 2009</u> £'000	<u>31 March 2009</u> £'000
ASSETS				
Loans and advances to banks		6,452		54,053
Loans and advances to affiliates		29,155		5,541,930
Other loans and advances		292,396		10,308
Securities purchased under agreements to resell		6,143,322		-
Financial assets designated at fair value through profit and loss:				
- Bonds and medium term notes	-		217,830	
- Other financial instruments	<u>14,983</u>		<u>15,682</u>	
Available-for-sale financial investments		14,983		233,512
Derivative financial instruments		95		95
Other assets		548,180		342,422
Prepayments and accrued income		298,702		35,637
Deferred tax asset		889		567
		<u>17,871</u>		<u>-</u>
TOTAL ASSETS		<u>7,352,045</u>		<u>6,218,524</u>
LIABILITIES				
Customer accounts		83,372		50,458
Securities sold under agreements to repurchase		914,480		-
Borrowing from affiliates		962,838		2,722,070
Borrowing from others		621,636		48,715
Financial liabilities designated at fair value through profit and loss:				
- Bonds and medium term notes	<u>3,348,972</u>		<u>1,857,055</u>	
Derivative financial instruments		3,348,972		1,857,055
Accruals and deferred income		861,833		969,444
Other liabilities		26,601		15,950
Deferred tax liability		253,122		120,646
		<u>-</u>		<u>695</u>
TOTAL LIABILITIES		<u>7,072,854</u>		<u>5,785,033</u>
CAPITAL AND RESERVES				
Called up share capital		170,000		170,000
Profit and loss account		109,191		263,491
		<u>279,191</u>		<u>433,491</u>
SHAREHOLDERS' FUNDS		<u>279,191</u>		<u>433,491</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>7,352,045</u>		<u>6,218,524</u>

APPROVED BY THE BOARD:

14 December 2009

NOMURA BANK INTERNATIONAL PLC

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2009 (UNAUDITED)

Reconciliation of operating profit to net operating cash flows

	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
(Loss)/Profit on Ordinary Activities before taxation	(214,306)	217,997	66,234
Adjustments for:			
Net change in loans and advances to banks and other customers	(282,088)	6,941	(45,222)
Net change in loans and advances to affiliates	5,512,775	(1,877,978)	(328,678)
Net change in borrowing from banks and other customers	605,834	(401,545)	(438,119)
Net change in borrowings from affiliates	(1,759,232)	1,422,038	(155,352)
Net change in financial assets designated at fair value through profit and loss	218,529	460,988	144,841
Net change in financial liabilities designated at fair value through profit and loss	1,491,917	(175,013)	462,450
Net change in derivative assets	(205,758)	(134,371)	(39,482)
Net change in derivative liabilities	(107,611)	532,122	322,973
Net change in securities purchased under agreements to resell	(6,143,322)	-	-
Net change in securities sold under agreements to repurchase	914,480	-	-
Net change in other assets	(263,065)	(34,447)	(1,022)
Net change in other liabilities	194,684	35,617	37,386
Net change in prepayments and accrued income	(322)	2,022	521
Net change in accruals and deferred income	10,651	1,414	8,592
	187,473	(162,212)	(31,112)
Net cash flow from operating activities	(26,833)	55,785	35,122
Taxation	(20,769)	(2,435)	(34,868)
(Decrease)/Increase in cash	(47,601)	53,350	254

NOMURA BANK INTERNATIONAL PLC

**CASH FLOW STATEMENT (CONTINUED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2009 (UNAUDITED)**

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

	<u>30 Sept 2009</u> £'000	<u>Cash Flow</u> £'000	<u>31 Mar 2009</u> £'000
Loans and advances to other banks repayable on demand	6,452	(47,601)	54,053

	<u>31 Mar 2009</u> £'000	<u>Cash Flow</u> £'000	<u>31 Mar 2008</u> £'000
Loans and advances to other banks repayable on demand	54,053	53,350	703

	<u>30 Sept 2008</u> £'000	<u>Cash Flow</u> £'000	<u>31 Mar 2008</u> £'000
Loans and advances to other banks repayable on demand	957	254	703

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT – 30 SEPTEMBER 2009 (UNAUDITED)

1. ACCOUNTING POLICIES

The annual financial statements of the Bank are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. As at the interim reporting date, the Bank's accounting policies remain unchanged from those disclosed in its annual accounts for the year ended 31 March 2009 apart from the amendments given below.

a) Basis of Accounting

For the purposes of its interim reporting, the Bank has complied with the guidance given in the ASB's 'Statement: Half-Yearly Financial Reports' issued in July 2007, which replaces the ASB's September 1997 statement 'Interim Reports'.

Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008) came into force on the 6 April 2008 and permit valuation of non-trading financial liabilities at fair value in accordance with IFRS as endorsed by the EU (or equivalent UK GAAP standards). Management has designated certain non-trading financial instruments at fair value through profit and loss. Interest receivable and payable on such instruments has been included as part of the dealing profit and not disclosed separately. This policy is in line with the requirements of the Companies Act 2006 as amended by SI 2008.

2. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(a) TAX GAIN/(CHARGE)

	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
Current tax:			
UK Corporation tax at 28% (2009: 28%)	41,440	(61,104)	(18,545)
	41,440	(61,104)	(18,545)
Deferred Taxation:			
Current year timing differences	41	65	-
Unutilised losses for the period carried forward	18,525	-	-
Tax on (loss)/profit on ordinary activities	60,006	(61,039)	(18,545)

(b) RECONCILIATION OF CORPORATION TAX CHARGE

	<u>Half Year Ended</u> <u>30 Sept 2009</u> £'000	<u>Year Ended</u> <u>31 Mar 2009</u> £'000	<u>Half Year Ended</u> <u>30 Sept 2008</u> £'000
Net (Loss)/Profit before Tax	(214,306)	217,997	66,234
UK Corporate tax gain/(charge) at 28% (2009: 28%)	60,006	(61,039)	(18,545)
Effects of:			
Timing differences	(41)	(65)	-
Unutilised losses for the period carried forward	(18,525)	-	-
Current corporation tax gain/(charge) for the year	41,440	(61,104)	(18,545)

NOMURA BANK INTERNATIONAL PLC

NOTES TO HALF YEAR REPORT – 30 SEPTEMBER 2009 (UNAUDITED)

3. RELATED PARTY TRANSACTIONS

The Bank has taken advantage of the exemption in FRS 8 from disclosing related party transactions with other entities included in the consolidated financial statements for Nomura Holdings, Inc., the Bank's ultimate parent company.

4. CONTINGENT LIABILITIES

HM Revenue & Customs

In 1998 the Bank sold its leasing business to a third party. HM Revenue & Customs has made an assessment of £6.4 million which remains unpaid by the new owners. As at 30 September 2009, the additional interest on this tax assessment balance stands at an estimated £4.1 million. The Bank's directors have sought legal advice and believe that the assessment has been wrongly made against the Bank. The Bank has, therefore, appealed the assessment and intends vigorously to contest the matter.

WestLB

On 17 April WestLB served proceedings on Nomura International plc ("NIP") and Nomura Bank International plc ("NBI"), claiming that under the terms of a note issued by NBI and maturing on 28 October 2008, they were entitled to receive US\$22m, which they claim to be the value of a fund of shares referable to the NBI note. NIP, in its role as calculation agent, valued the shares in the fund at zero. WestLB are disputing this valuation. NIP and NBI reject WestLB's claim and are vigorously defending the action. NIP and NBI filed a defence on 8 June 2009.

Other Litigations

The Bank is also party to various other legal proceedings, the ultimate resolution of which is not expected to have a material adverse impact on the financial position of the Bank.

PARTIES INVOLVED IN THE PROGRAMME

Issuer

Registered office of the Issuer

Nomura International plc

Nomura House
1 St. Martin's-le-Grand
London EC1A 4NP
United Kingdom

Guarantor

Registered office of the Guarantor

Nomura Bank International plc

Nomura House
1 St. Martin's-le-Grand
London EC1A 4NP
United Kingdom

Registrar, Agent and Transfer Office

Computershare Hong Kong Investor Services Limited

Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Issuer's and Guarantor's Auditors

Ernst & Young LLP

1 More London Place
London SE1 2AF
United Kingdom

Legal Advisers

As to Hong Kong law

Allen & Overy

9th Floor
Three Exchange Square
Central
Hong Kong