Pillar 3 Disclosures

December 2023

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1. Introduction

1.1 Purpose

This document comprises the Pillar 3 disclosures on capital and risk management for NBKI Limited ('NBKI' or 'the Bank') as of 31 December 2022. It has two principal purposes:

- To provide information on the governance structures of the Bank and the policies and approach it has taken to manage risks and maintain its capital resources.
- To meet the regulatory disclosure requirements under Part 8 of the UK Capital Requirements Regulation (CRR) and the rules of the Prudential Regulation Authority (PRA), including the Disclosure (CRR) part of the PRA Rulebook as well as the associated binding technical standards that were created by the European Union (Withdrawal) Act 2018.

1.2 Overview

National Bank of Kuwait International ("NBKI") PLC, whose registered office is 13 George Street, London, W1U 3QJ, is registered in the United Kingdom, company number 02773743 and is authorised by the Prudential Regulation Authority ("PRA") and regulated by the UK Financial Conduct Authority ("FCA") and the PRA. Firm number on the FCA Register is 171532. It is also registered under the Financial Services Compensation Scheme.

NBKI is fully owned by its Kuwaiti parent company National Bank of Kuwait S.A.K.P.

The Bank's core lines of business are Retail Banking, Private Banking, Commercial Real Estate and Corporate Banking. NBKI is predominantly a relationship Bank focusing on servicing the needs of the Group's core client base, Gulf Co-operation Council (GCC) countries, in the UK market. The client base of the Bank is predominantly GCC-based Institutions and individuals with Banking and financing needs in the UK in addition to UK-based Corporates operating in the MENA region.

NBKI has a conservative approach to risk. It does not have a trading book and therefore does not take proprietary trading positions. The Bank does not seek FX risk but does run limited exposure due to organic mismatches between lending, funding, and capital. The Group has no appetite for significant losses or volatility from Market risk. In the lending book, the vast majority is secured against either commercial or retail real estate with exposure limited to a maximum LTV of 75% retail and 65% commercial. The unsecured lending book is restricted to high quality financial institutions, corporates and a very limited amount of retail lending.

1.3 Legislative Framework

NBKI is subject to the Capital Requirements Directive1 (CRD) and the CRR. The CRD and CRR provide prudential standards for financial services companies and an associated supervisory framework and are enforced in the UK by the PRA and FCA.

Pillar 1

Pillar 1 capital is the Bank's minimum regulatory capital requirement relating to credit, market and operational risk. The Bank follows the Standardised Approach when calculating the minimum capital requirements for credit risk (which includes counterparty credit risk). The Bank has de minimis market risk relating to foreign exchange positions. The Bank uses the Basic Indicator Approach (BIA) for operational risk requirements.

Pillar 2

Pillar 2 requires firms and supervisors to form a view on whether a firm should hold additional capital against risks neither taken into account nor fully covered in Pillar 1. To calculate its Pillar 2 capital requirements the Board has performed a detailed assessment of the risks facing the Bank including the impact of a severe economic downturn. It has calculated the amount of capital that it considers necessary to cover these risks within its Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP is reviewed and assessed by the PRA under its Supervisory Review and Evaluation Process.

Pillar 3

Pillar 3 sets out the disclosures that banks are required to make in order to promote market discipline through the external disclosure of their risk management and risk exposures.

1.4 Developments in The Firms' Capital Base or Structure

As noted in the Pillar 3 document for 31 December 2021, the Bank changed its functional currency from USD to GBP as the greater part of its lending exposure is denominated in GBP.

On 26 January 2022, the authorized and allotted GBP share capital was increased by £40,000,000 to £40,050,000 by the creation and issue of 40,000,000 GBP shares with a nominal value of £1 to the Bank's parent. In presentational currency this is recorded at US$53,520,000 at the foreign exchange rate for GBP in USD as translated at the date of issue.

On the 26 July 2022, the Bank further redenominated the 235,800,000 US$1 shares at the prevailing rate into 235,800,000 shares with a nominal value of GBP 81.967p which is an issue value of £193,278,186. As the USD shares had originally been recorded at issue price of £163,451,346 the difference of £29,827,342 was funded by a transfer from retained earnings. In the presentational currency view this transfer from retained earnings was credited to the Translation reserve.

The Bank contemporaneously delivered USD$235.8m in exchange for payment £193.3m from its parent. Furthermore, on the 26 July 2022 the issued share capital of the bank was divided into 40,050,000 Class "A" shares of £1 each and 235,800,000 Class "B" shares of 81.967P each.

The UK Countercyclical capital buffer (CCyB) rate increased on 13th Dec 2022 from 0 to 1%.

The Bank continues to monitor the potential impact of Basel 3.1, which is likely to be implemented in 2025.

1.5 Scope

Scope of disclosures

The Disclosures contained in this document cover the requirements of Pillar 3 as set out in the CRR and are based on financial data as at 31 December 2022. All other information, for example, organisation charts, are also as at 31 December 2022 unless otherwise stated. Pillar 3 disclosures should be read in conjunction with the Bank's Annual Report and Accounts ("ARA") for the stated period. The Bank's disclosures are published on its website: Disclosures (nbk.com).

Frequency, media and location

National Bank of Kuwait (International) PLC ("the Bank" or "NBKI") will publish all Pillar 3 related disclosures at least annually and more frequently where so required. The frequency of disclosure will be reviewed should there be a material change in any approach used for the calculation of capital, business structure or regulatory requirements.

Approval and Verification

Pillar 3 disclosures are reviewed by executive management before presentation to the Board of Directors for final approval prior to publishing.

1.6 Directors

NBKI's Board of Directors comprises a mix of executive and non-executive directors. A summary of their experience is disclosed on the Bank's website (https://www.nbk.com/london/About.html). The Bank's Board Nomination & Remuneration Committee regularly evaluates and reviews the structure, size, composition, skills, knowledge, experience and diversity of the Board and makes recommendations to the Board on any proposed changes, taking into account the combination of skills, experience, knowledge and time commitment required to respond to the challenges and opportunities facing the Bank. Additional diversity disclosures are contained in the 2022 Annual Report and Consolidated Financial Statements. Board members are screened for conflicts of interest and relationships with companies that do not meet NBKI's values and ethics. The Bank is committed to promoting equal opportunities in employment. As such, recruitment at all levels is without discrimination on any protected characteristic.

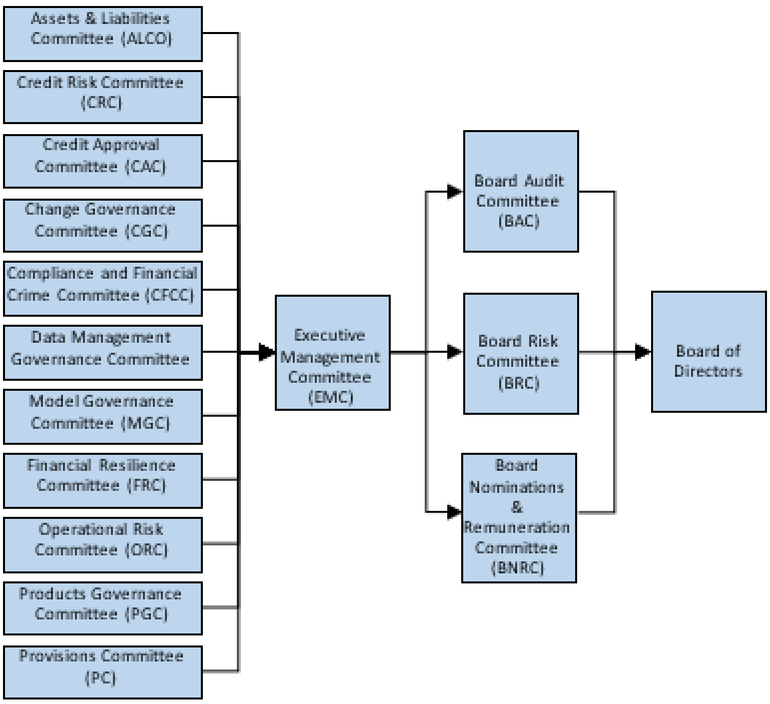
A core objective for the Bank is the effective management of risk, and the responsibility for ensuring that risks are managed and controlled ultimately rests with the Bank's Board of Directors. The Board has ultimate responsibility for setting the strategy, risk appetite and risk control framework.

The Board considers that, as at 31 December 2022, it had in place adequate systems and controls with regard to the Bank's risk profile and strategy. Furthermore, the Board can confirm that the Bank remained within defined regulatory limits for risk exposure throughout the year. Under CRR the Bank is required to ensure that its external disclosures portray its risk profile comprehensively. The Directors are satisfied that the Bank's external disclosures meet this requirement.

2. Risk Governance and Committees

NBKI's risk governance is the architecture within which risks are identified, assessed, managed, monitored and reported. The Board looks to senior management to ensure that the risk management framework and risk governance structure is applied in practice and operates robustly. The Board employs the following committee structure to enable it to undertake its risk management function efficiently and effectively. A summary of the roles and responsibilities for a sample of these committees follows.

Figure 1: Risk governance structure



The Board delegates authority for the day-to-day operation and maintenance of the framework to the Executive Management Committee (EMC), and the risk oversight of EMC to the Board Audit and Board Risk committees (BAC and BRC respectively). EMC may delegate parts of its risk management responsibilities to other executive committees or to individual Bank officers, however EMC remains accountable for ensuring that those responsibilities are discharged in line with the requirements of the RMF and RAS. Committees or Bank officers may only authorise actions expected to change NBKI's risk profile to the extent of the risk-taking authority that has been delegated to them. Exceeding delegated risk-taking authority constitutes a compliance incident and must be reported to EMC.

Board

The Board is ultimately responsible for setting the Bank's risk appetite statement and must ensure that this is accurately reflected in the Bank's business plan, ICAAP, ILAAP and RRP. The Board is responsible for defining risk policy (via the risk appetite statement), the management risk committee structure and terms of reference, and must approve any significant amendments and any developments having a potentially significant impact on the Bank's risk profile. The Board of Directors receives quarterly management reports on major risk areas for review and approval. The Board has delegated the day-to-day responsibility for implementing and maintaining the Bank's risk management framework to NBKI's Executive Management Committee (EMC).

Board Risk Committee (BRC)

This committee is responsible for oversight of the risk management framework, including the risk appetite statement (RAS), ICAAP, ILAAP, RRP stress and scenario testing, significant operational risks, and relevant policy drafting and approval processes.

Board Audit Committee (BAC)

BAC is responsible for oversight of the internal control environment, the independence of the Internal Audit function, the annual Internal Audit plan, and review of and compliance with the Internal Audit Reports.

Executive Management Committee (EMC)

EMC is responsible for oversight of the content and implementation of relevant risk policy statements, and for the efficient conduct of its associated sub-committees. EMC is also responsible for ensuring that risk policies are reviewed and updated regularly in line with changes to the operating and risk environment, and for reviewing any errors or agreed exceptions to policy. It monitors the implementation of the RMF and supports the Board by reviewing key documents ahead of the Board Risk Committee and providing challenge to them. More specifically EMC is responsible for:

- Assigning defined risk responsibilities to specific business and support risk owners;
- Providing a forum for identifying and challenging the most significant risks, trends and failings as they affect the business of NBKI and agreeing suitable risk mitigation plans for any identified failings with risk owners;
- Reviewing and validating the adequacy of risk management systems & controls, the metrics for monitoring risk management performance and ensuring that proposals for consideration by the Board are consistent with risk appetite.

Asset and Liability Committee (ALCO)

ALCO supports the Board by undertaking operational ownership of the balance sheet for capital management and liquidity management. It has a primary objective of ensuring long term balance sheet robustness and viability. ALCO reviews, challenges, and approves the ICAAP, ILAAP and RRP for recommendation to the Board via EMC. Responsibilities include:

- Maintaining oversight of the Bank's market risk management
- Ensuring the effective implementation of Board approved polices and limits for capital, liquidity, interest rate and foreign currency risks, market risks, including concentrations;
- Ensuring compliance with approved strategy and internal and regulatory limits;
- Escalating any significant asset/liability risk management issues on a timely basis to the EMC and to the Board, notifying the CFO, CRO and Group ALM where appropriate;
- Ensuring the efficient deployment of capital and liquidity resources and use of limits.

Credit Risk Committee (CRC)

CRC is responsible for:

- Providing oversight of the Bank's credit risk management performance.
- Providing the Board with guidance on the wholesale, retail Banking and treasury, credit portfolios, including portfolio limits and composition, as appropriate.
- Ensuring that effective procedures are in place for monitoring and controlling wholesale retail and treasury credit risk, meeting the Bank's risk appetite compliance standards set by internal credit policies and external regulatory requirements.
- Monitoring developments in the structure and risk profile of the Bank's entire credit portfolios, so that appropriate action can be taken promptly to mitigate actual or potential changes in risk profile.
- Escalating any significant credit issues to senior committees and NBK Group.
- Identifying problem accounts and monitor the Bank's watchlist.
- Making recommendations on provisions in relation to impairments and ECL staging.

Operational Risk Committee (ORC)

ORC is reports to EMC and is responsible to the Board of Directors for the following

- Promoting and sustaining a culture of operational risk management discipline and anticipation in the Bank and escalating any significant issues to the EMC promptly and (if necessary) to the Board
- Ensuring the ongoing adequacy and effectiveness of methods for identifying, assessing, monitoring, controlling and reporting operational risk and that these conform to applicable external regulatory standards
- Providing a forum for management review, assessment and mitigation of the most significant operational risk events and trends
- Overseeing the risk associated with the development of proposed new products and services.

Financial Resilience Committee (FRC)

The FRC is an ad hoc committee which would be convened in the following situations:

- If a specific recovery indicator moves to outside of tolerance;

- If indicators have moved to outside of appetite and ALCO determines that it should be suggested to the Chair of the FRC; or
- If the Board requests invocation in response to a market event.

In addition, it remains the discretion of the FRC Chair (the CFO) to decide whether a specific event, anticipated or actual, requires immediate action and whether the FRC should be convened. The FRC is supported by the FRWG in the management of prudential risks

Financial Crime and Compliance Committee

This committee is responsible for:

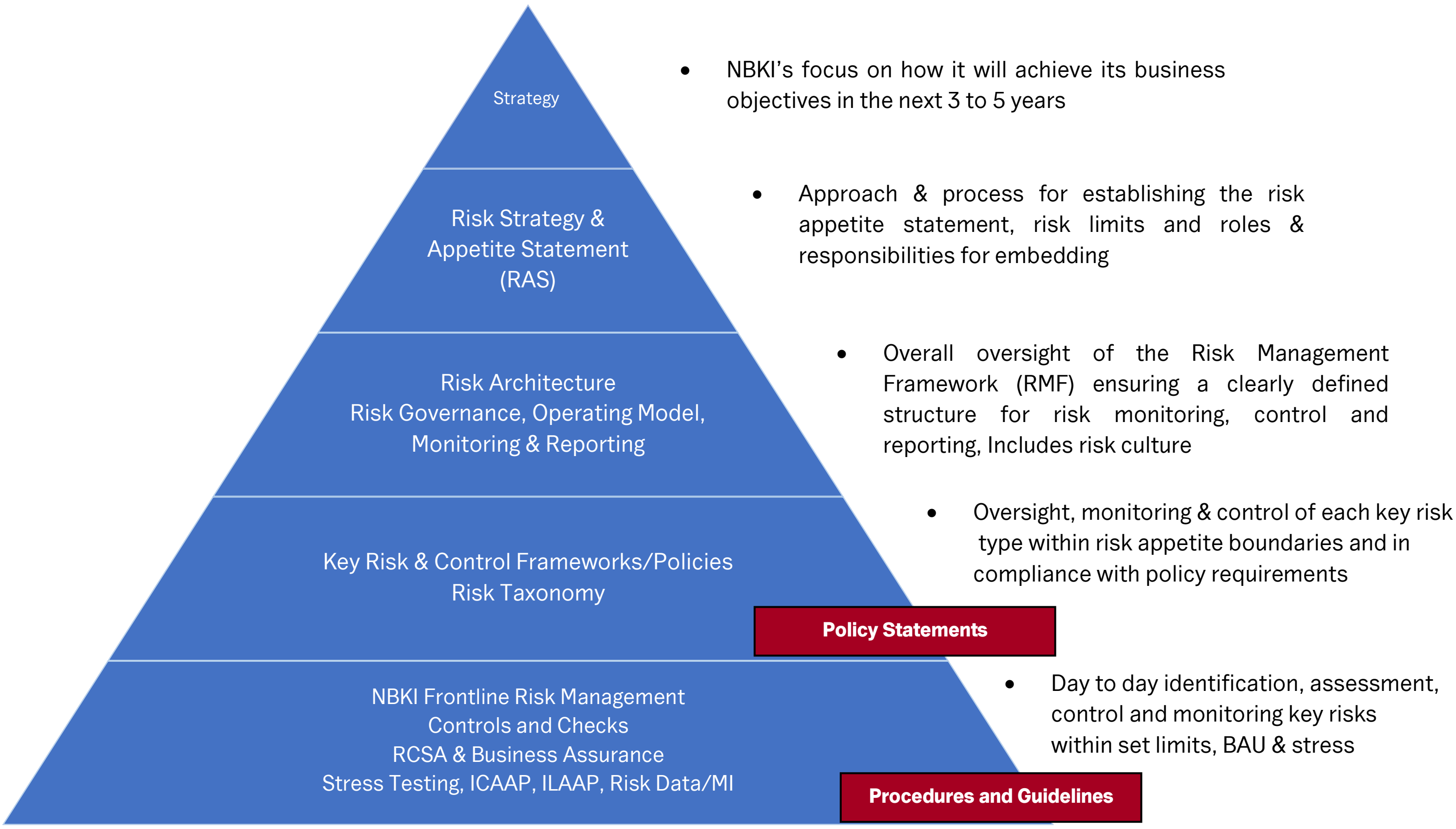
- Overseeing the management of the Compliance and MLRO functions and ensuring that approved policy, in line with all applicable regulations, is implemented and monitored effectively.
- Overseeing the arrangements for compliance monitoring, regulatory reporting and responding to regulatory and audit recommendations for rectifying any identified deficiencies.
- Reporting formally any identified compliance failures to the EMC.
- Ensuring that effective manuals are in place and are regularly reviewed with regard to Compliance and Financial Crime.
- Assessing the governance arrangements to address relevant laws and regulations and the effectiveness of the Bank's compliance with its obligations under relevant laws and regulations including the General Data Protection Regulation (GDPR).

3. Risk Management

3.1 Risk Management Framework (RMF)

The RMF outlines the Bank's approach to assessing risk and its role in the pursuit of its business objectives, as well as the associated accountabilities of Bank executives and officers. The RMF exists to ensure that NBKI's management of risk is consistent and comprehensive, and that it is effective at maintaining NBKI's risk exposure within the stated appetite of the NBKI Board.

Figure 2: Key elements of NBKI Risk Management framework (RMF)



The development of the RMF is aligned to international risk management standards such as COSO ERM and ISO 31000 and regulatory frameworks such as Basel.

3.2. Strategy

NBKI's business strategy actively selects customers, products and policies to deliver an acceptable risk adjusted level of return. The Bank operates a selective approach to the formulation of its risk appetite, designing out risk from a number of areas of the business, thus creating headroom to deploy its risk appetite in areas that are strategically relevant. NBKI has clearly defined risk management objectives and a strategy to deliver them. Its risk appetite is formulated to support and maintain financial soundness, confidence from stakeholders and operational resilience whilst delivering fair outcomes for customers that meet their needs. Strategy and quantitative targets are reviewed annually by the Board. NBKI Risk plays an integral role in assessing the impact of changes in strategy against defined risk appetite limits.

3.3. Risk Appetite Framework and Statement

NBKI's Risk Appetite Framework comprises an overarching risk appetite statement, individual risk appetite measures, risk capacity metrics, quantitative and qualitative measures and reporting. These are documented in its Risk Appetite Statement (RAS). The pillars of NBKI's risk appetite are summarised as follows.

Figure 3:Risk Appetite Statement Pillars

Overreaching Risk Appetite Statement			
NBKI aims to achieve a conservative to moderate risk profile through prudent and reputable management of a universal banking business model with diversification across geographies, asset classes and portfolios, a deep understanding of its GCC client base and continued stable and sustainable growth.			
Target Credit Rating			
Credit rating in line with NBKI's closest peers and UK bank average (A-)			
Risk appetite pillars			
P1	P2	P3	P4
Capital	**Stable Earnings Growth**	**Liquidity and Funding**	**Efficient Operating Model**
Maintain sufficient capital, quantity and quality, to cover existing projected risks in extreme but plausible scenarios. As a minimum, the Bank's capital resources will be maintained above the minimum total capital requirements tested via appropriately weighted capital stresses.	NBKI will accept risks that provide a return that is commensurate with the underlying risk. That NBKI has the capability and available resources (financial and human) to manage those risks.	Be a sustainable UK Retail and Corporate bank that has stable and efficient access to funding and liquidity tested via appropriately weighted liquidity stresses.	To be operationally efficiency. Accept that operational risk cannot be fully eliminated and apply a cost/benefit approach to limit exposure with a focus on protecting customers, earnings and reputation.

NBKI's RAS document defines a number of quantitative and qualitative measures with a comprehensive tier of appetite and tolerance levels. Ownership of individual RAS metrics is formally delegated to the appropriate NBKI management committee and RAS breaches and escalated quickly to EMC and reported to BRC.

3.4. Risk Operating Model

In order to support risk management activities, the risk management framework operates within the principles of the "Three Lines of Defence" model, as follows.

Table 1: Lines of defence

1st Line	2nd Line	3rd Line
The Business Manage within risk appetite Report on risks and issues Implement controls to manage risks Establish effective risk culture	**Risk & Compliance** Develop and maintain Risk Framework Develop Risk Appetite Support and challenge first line Ensure effective risk-based decisions Provide independent advice and guidance Provide assurance on regulatory compliance and control effectiveness	**Internal Audit** Independent assurance Assess effectiveness of risk management in first and second Line Review and assess risk management framework

Accountability for the effectiveness of NBKI's risk management framework rests with the Board. The Board is also accountable for ensuring that the RAS remains consistent with the Bank's strategy and business targets, with its overall capacity to take on risk, and with the risk appetite of its parent entity, NBK Group.

3.5. Principle Risks and uncertainties

A core objective for the Bank is the effective management of risk, and the responsibility for ensuring that risks are managed and controlled ultimately rests with the Bank's Board of Directors. The Board has ultimate responsibility for setting the strategy, risk appetite and risk control framework. The following table summarises the principal risks relevant to the Bank and the strategies in place to manage them:

Table 2: Principle risks

Risk Type	Definition	Mitigating Actions
Credit Risk	The risk that scheduled payments associated with a credit exposure, or with a portfolio of exposures, will not be received by the Bank in full and on time in line with the agreed contractual obligations.	Given the nature of the business, the Bank views its primary financial risk to be credit related. Credit risk appetite is set by the Board and the risk is overseen by the Board Risk Committee. All credit proposals are subject to detailed screening by the Credit Risk Department in line with the Bank's credit policies before submission to the Credit Approval Committee for review. The Credit Risk Committee ('CRC') monitors credit exposure at a portfolio level. Where needed, the CRC may take early preventative actions including further tightening of acceptable credit standards. The Bank further mitigates risk concentrations by setting limits in terms of individual counterparty, industry, and geographical exposures.
Liquidity & Funding Risk	The risk that NBKI could fail to meet its obligations as they fall due, by not having the right type and quantity of funds, in the right place, at the right time and in the correct currency.	The Bank mitigates these risks by holding an adequate portion of its assets in the form of High-Quality Liquid Assets to cover the Bank's liquidity requirements. The Treasury function manages the daily liquidity and cash flows to ensures the Bank has sufficient liquidity even during stress scenarios. The Bank has a diverse funding profile comprising both retail deposits and wholesale borrowings. It is the role of the Treasury function to provide stable funding and liquidity for the Bank's core lending businesses which includes the active management of the maturity of the Bank's funding profile. Full assessment of the Bank's liquidity risks is covered by the Bank's liquidity risk policies and its Individual Liquidity Adequacy Assessment Process ('ILAAP'). The Bank's risks are monitored and managed through the Asset & Liability Committee ('ALCO') within the remit set out by the Board Risk Committee.
Capital & Solvency Risk	The risk that NBKI has insufficient capital to cover regulatory requirements and/or the growth plans of the business.	Capital adequacy is monitored on a regular basis against both regulatory and internal capital requirements. The Bank ensures that it has adequate capital even in stress scenarios through the ICAAP. These risks are monitored and managed through the ALCO within the remit set out by the Board Risk Committee.

Details of the financial risk management objectives and policies of the Bank and exposure of the Bank to credit risk, liquidity risk, and market risk, are given in Note 28 to the financial statements.

Climate Change Risk

In terms of climate change, the primary risks impacting the Bank include transition risk as the economy move towards a lower emissions economy, and physical risk which arises from the increased severity of adverse weather phenomena. The Bank continues to explore elements of physical and transition risks in its risk appetite and underwriting standards.

In 2022, the Bank has also made progress in addressing risks and embedding it as part of is short-term and long-term strategic planning. In particular, the Bank has reviewed the Task Force on Climate Related Financial Disclosures ('TCFD'). Based on the requirements of the TCFD, the Bank has integrated the management of financial risks related to climate change into its governance, risk and management framework. This includes the development of the climate change policy framework.

Cyber Security Risk

In line with other businesses, the Bank is subject to the increased prevalence and sophistication of cyber-attacks which could result in unauthorised access to customer data as well as cause business disruption to services. The Bank has a robust Cyber Security framework based on industry standards and enterprise level tools. A strong Information Security Management System is in place which aligns with the guidance from the UK Government Communications Headquarters (GCHQ). A secure system of Data Loss Prevention is in place which protects the Bank's and customer data. The Bank operates a 3 Line of Defence model with controls in the 1st line to ensure security is maintained, oversight from the 2nd line to ensure processes are managed appropriately, and external assurance through 3rd Line of Defence to ensure full oversight of cyber security holistically.

Operational Resilience

The Bank continues to focus on its operational resilience agenda as a high priority. In 2022 the Bank embedded the foundations of its operational resilience framework and continues to develop this further in 2023. The Bank has established a record of important business services and impact tolerances and embedded these in the operational risk management framework through clearly set out stress tests and self-assessment. In this regard the Bank is well sighted to the impact on customer outcomes from its business processes.

4. Capital and Other Disclosures

4.1. Overview

The Bank's policy is to maintain a strong capital base to maintain investor and market confidence and to sustain the future development of the business. The Board manages its capital levels for both current and future activities and documents its risk appetite and capital requirements during stress scenarios as part of the ICAAP. The Bank has complied with its externally imposed capital requirements during the period from 1 January 2022 to 31 December 2022.

All of NBKI's capital is Common Equity Tier 1 (CET1). NBKI will, at all times, maintain sufficient capital to cover its risk profile and associated risk exposures. As a minimum, the Bank's capital resources will be maintained above the minimum total capital requirements (i.e. TCR (Pillar 1 plus Pillar 2A) plus Combined Buffers (including PRA Buffers)).

Under the CRR the Bank must set aside capital equal to 8% of its total risk weighted assets to cover its Pillar 1 capital requirements. Its Pillar 1 risks are calculated for credit risk, operational risk, market risk and counterparty credit risk. The standardised approach is used for credit risk and counterparty credit risk and the basic indicator approach for operational risk.

The Bank must also set aside additional Pillar 2 capital to provide for additional risks. Pillar 2 risks are assessed to determine whether any additional capital is required over and above Pillar 1. The key risks assessed relevant to NBKI's business model are credit risk, operational risk, interest rate risk in the banking book and climate related financial risk.

In line with regulations, NBKI assesses its capital adequacy needs in its ICAAP document which is reviewed, challenged and approved by the Board annually. Additional disclosures on capital are contained in the 2022 Annual Report and Consolidated Financial Statements.

4.2. Key Metrics

This table presents the set of key prudential metrics covering the Bank's available capital (including buffer requirements and ratios), risk weighted exposure amounts (RWA), leverage ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Table 3: Key metrics

In USD $	31/12/22	31/12/21
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital		
Tier 1 Capital	474,412	443,710
Total Capital	474,412	443,710
Risk Weighted Assets		
Total RWA	2,131,640	2,034,858
Capital Ratios (as percentage of RWA)		
Common Equity Tier 1 Ratio	22.26%	21.81%
Total Capital Ratio	22.26%	21.81%
Leverage Ratio		
Total exposure measure excluding claims on central banks	3,625,281	3,482,137
Leverage ratio excluding claims on central banks (%)	13.09%	12.74%
Liquidity Coverage Ratio ('LCR')		
Total high-quality liquid assets (HQLA) (Weighted value average)	659,703	702,588
Total net cash outflows (adjusted value)	220,185	209,655
Liquidity coverage ratio (%) (adjusted value)	300%	227%
Net Stable Funding Ratio ('NSFR')		
NSFR ratio (%) (adjusted value)	127%	114%

4.3. Overview of Risk Weighted Exposure Amounts

The assets of the Bank are analysed by risk category and given weightings according to the level of risk entailed per the CRR. This table presents the Bank's RWA and capital requirements per category of risk, calculated as 8% of RWA.

Table 4: Pillar 1 RWA capital requirement

			Total own funds requirements	
	31 Dec 2022 $'000	31 Dec 2021 $'000	31 Dec 2022 £'000	31 Dec 2021 £'000
Credit risk (excluding CCR)	2,020,121	1,929,456	161,610	154,356
Of which the standardised approach	2,020,121	1,929,456	161,610	154,356
Counterparty credit risk - CCR	14,466,197	25,132,887	1,157,296	2,010,631
Of which the standardised approach	14,458,872	25,129,725	1,156,710	2,010,378
Of which credit valuation adjustment - CVA	7,325	3,162	586	253
Operational risk	89,736	102,240	7,179	8,179
Of which basic indicator approach	89,736	102,240	7,179	8,179
Total	16,576,054	27,164,583	1,326,084	2,173,167

4.4. Composition of Regulatory Own Funds

Table 5: Capital movement

	31/12/22 USD ($)	31/12/21 USD ($)
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	289,403	235,883
Cumulative retained earnings	211,714	225,681
Accumulated other comprehensive income (and other reserves)	-26,277	-13,831
Common Equity Tier 1 (CET1) capital before regulatory adjustments	473,823	447,733
Common Equity Tier 1 (CET1) capital after Regulatory adjustments	474,412	443,710
Total Capital	474,412	443,710
Total Risk exposure amount	2,131,640	2,034,858
Capital ratios		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	22.26%	21.81%
Tier 1 (as a percentage of total risk exposure amount)	22.26%	21.81%
Total capital (as a percentage of total risk exposure amount)	22.26%	21.81%

Regulatory Capital buffers

Under CRD IV institutions are required to meet the following own funds requirements: a common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and total capital ratio of 8%. These form the institution's Pillar 1 requirements. Pillar 2 covers risks that are not fully addressed by Pillar 1. Alongside the minimum capital requirements, CRD IV requires institutions to hold capital buffers that can absorb losses in times of economic stress. To ensure that the same risks are not duplicated within the buffers, the Pillar 2 risk is assessed alongside other capital buffers, as described below.

Capital Conservation Buffer

The capital conservation buffer is designed to ensure that institutions build up capital outside of times of stress that can absorb losses if required. The requirement is 2.5% of RWA and had been phased in from 2016 in steps of 0.625% per annum to the full 2.5% value in 2019. As of 31 December 2022, the capital conservation buffer was 2.5%.

Countercyclical Capital Buffer (CCyB)

The CCyB is designed to ensure that financial institutions hold additional capital to reduce the build-up of systemic risk in a credit boom by providing absorbing capacity and acting as an incentive to limit further growth. Each institution's specific countercyclical buffer rate is a weighted average of the countercyclical capital buffers that apply in the jurisdictions where the relevant credit risk is located. The banking regulator of each country has the discretion to set this buffer. The UK CCyB rate increased on 13th Dec 2022 from 0% to 1% and was planned to increase from 1% to 2% from 5th July 2023.

Globally Systematic Important Financial Institutions (G-SIFIs)
G-SII buffer for financial institutions that are considered to represent higher risk to the global financial system, based on a number of key factors, are defined as globally systemically important institutions (G-SIIs). This does not apply to NBKI.

4.5. Reconciliation of Regulatory Own Funds to Statutory Balance Sheet

Table 6: Shareholder equity

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	31 Dec 2022	31 Dec 2022
	£'000	£'000
Shareholders' Equity		
Share capital	289,403	289,403
Profit for the year	22,423	
Share premium	-	-
Translation reserve	(27,294)	(27,294)
Regulatory adjustments		589
Cumulative retained earnings	189,292	189,291
Total shareholders' equity as reported	473,823	451,990
Profit for the year not reflected in Regulatory submissions		22,423
Post audit adjustments not reflected in Regulatory reports due to late adjustments		(590)
Shareholders' Equity	473,823	473,823

5. Remuneration

5.1 General

The Bank has considered FCA guidance on staff remuneration issued in May 2017 (PS17/10), in addition to the PRA Rulebook, the Remuneration Code ("the Code") and the Capital Requirements Regulation (Article 450). This statement sets out the disclosures required under the requirements as they apply to the Bank. The Bank is classified as a Level 3 Bank under FCA guidance.
The Bank employed 174 members of staff as at 31 December 2022 (176 in 2021). The total staff costs of the Bank (as disclosed in the Note 7 of the 2022 Annual Report and Financial Statements) were USD 20.5m (USD 20.6m in 2021).

5.2 Nominations and Remuneration Committee

Governance of all matters related to remuneration within the Bank lies with the Board Nominations and Remuneration Committee (BNRC), comprised of the Bank's non-executive Board members, (two of which are iNEDs, the Chair and one other). The Committee is composed of its Chair, and three other non-executive Board members who possess the necessary skills to exercise the appropriate judgement. The Head of HR also attends the Committee.

The BNRC is responsible for reviewing the Bank's remuneration policies to ensure compliance with the requirements outlined above. This includes reviewing the overall level of staff remuneration (including performance awards) in the context of the longer term business performance of the Bank. It also includes ensuring that staff costs are appropriate in light of the Bank's current and prospective capital adequacy and ensuring that the Bank's remuneration policies do not give rise to unnecessary conduct risks in the execution of the Bank's strategy.

5.3 Performance Award Scheme

The Bank has in place an appraisal process to help determine 'variable remuneration' as defined in the Code. Variable remuneration consists of discretionary cash bonuses which are based on individual performance and contribution assessment, subject to:

- The Bank's performance against the business plan prepared before the start of the year to which it relates.
- An individual's behaviours (as assessed against the Bank's values)
- An individual's achievement of their objectives (derived from their Performance Management Process score - an assessment scale).

Any amounts are payable in February following the year to which the award relates.

5.4 Material Risk Takers (MRT)

As required under Article 92 (2) of CRD IV and section 3 of the remuneration part of the PRA rulebook, the Bank maintains a list of all Material Risk Takers (MRT).

The Bank applies the definition of MRT's set out in articles 3-5 of Commission delegated regulation (EU) No. 604/2014, which supplements CRD IV. Only employees can come under this definition, not non-executive directors.

As at 31 December 2022, the Bank had 26 MRTs, of whom 5 were also classed as Senior Managers. All 26 of those MRTs were exempted from the requirements to defer any variable remuneration as they are below the de-minimums threshold.

Fixed remuneration relating to 2022 for MRTs was £3.89m and variable remuneration relating to 2022 was £0.96m (Performance – bonus).