National Bank of Kuwait (International) Plc

Pillar 3 Disclosures

31 December 2024

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1. Introduction

1.1. Purpose

This document comprises the Pillar 3 disclosures on capital and risk management for National Bank of Kuwait (International) Plc ('NBKI' or 'the Bank') as of 31 December 2024. 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 Basel III framework as implemented in the UK. Any references to European Union ('EU') regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018 and may be subsequently amended under UK law. This is 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 not fully covered in Pillar 1. To calculate its Pillar 2 capital requirements the Board performs an annual 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

The authorised GBP share capital of the Bank at 31 December 2024 was £90,050,000 of Class "A" shares with a nominal value of £1 each and £235,800,000 of Class "B" shares with nominal value of 81.967p each. On 7 August 2024 the authorised Class 'A' shares of the Company were increased by special resolution from 40,050,000 to 90,050,000, an increase of 50,000,000. On 14 August 2024 NBKI allotted and issued 50,000,000 Class A ordinary shares of GBP£1 each to its parent company, NBK S.A.K.P, increasing its Class A ordinary shares of GBP£1 each from 40,050,000 to 90,050,000. "A" and "B" shares have equal voting rights and equal rights to dividends and distributions. Regulatory Capital is comprised entirely of Core Equity Tier 1 capital.

Total regulatory capital resources for the Bank at 31 December 2024 were GBP 501,541k (GBP 419,668k at 31 December 2023) reflecting an increase during 2024 of GBP 81,873k. This increase came from two primary sources being audited retained profits and the 14 August 2024 increase in the Class A share investment of NBK S.A.K.P, into NBKI.

The total capital ratio at 31 December 2024 was 20.03% (31 December 2023: 20.52%) with the movement since 2023 due to growth in RWAs, offset by the increase in issued share capital. RWA growth is mainly driven by an increase in Credit RWAs (GBP 437,981k) and Pillar 1 Operational Risk (GBP 32,642k), offset by decreasing requirements for Pillar 1 Counterparty Credit Risk (GBP 12,471).

The Bank continues to monitor the potential impact of Basel 3.1, the implementation of which was delayed by 12 months to 1 January 2027.

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 2024. All other information, for example, organisation charts are also as at 31 December 2024 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: https://www.nbk.com/london/disclosures.html.

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 who are listed 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 and inclusion disclosures are contained in the 2024 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.

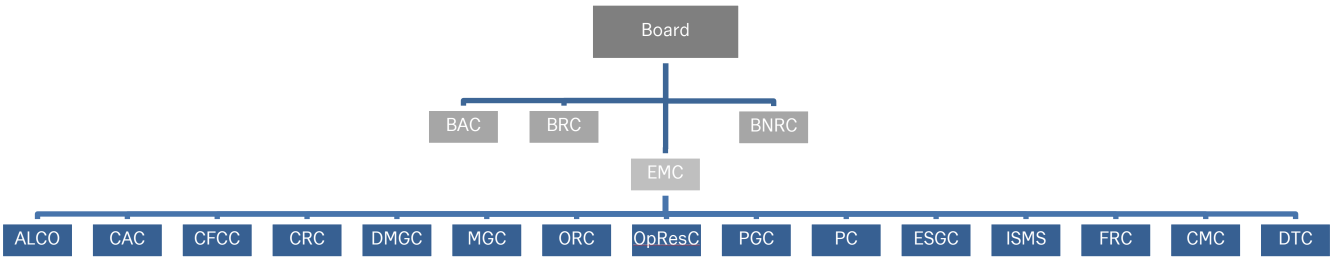
A core objective for the Bank is the effective management of risk, and the responsibility for ensuring that risks are managed and controlled ultimately rests with the Bank’s Board of Directors. The Board has ultimate responsibility for setting the strategy, risk appetite and risk control framework.

The Board considers that at 31 December 2024, 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



Board of Directors	Board
Board Audit Committee	BAC
Board Risk Committee	BRC
Board Nominations & Remuneration Committee	BNRC
Executive Management Committee	EMC
Assets and Liabilities Committee	ALCO
Credit Approval Committee	CAC
Compliance and Financial Crime Committee	CFCC
Credit Risk Committee	CRC
Data Management Governance Committee	DMGC
Model Governance Committee	MGC
Operational Risk Committee	ORC
Operational Resilience Committee	OpResC
Products Governance Committee	PGC
Provisions Committee	PC
ESG Committee	ESGC
Information Security Management System Committee	ISMS
Financial Resilience Committee	FRC
Change Management Committee	CMC
Digital Transformation Committee	DTC

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.

The functions of the most significant Board and management committees are summarised below.

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, Recovery and Solvent Exit Planning (SEP).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 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 Internal Audit Reports.

Board Risk Committee (BRC)

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

Board Nominations & Remuneration Committee (BNRC)

This committee is responsible for operating a rigorous assessment process for prospective appointments to the Board, as well the determination of remuneration packages for Board members and senior managers.

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 recommends the ICAAP, ILAAP and Recovery and Solvent Exit Plan to the Board for approval via EMC via EMC. Responsibilities include:

- Maintaining oversight of the Bank's market risk management
- Ensuring the effective implementation of Board approved policies 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 credit portfolios, including portfolio limits and composition
- Ensuring that effective procedures are in place for monitoring and controlling credit risk, meeting the Bank's risk appetite standards and external regulatory requirements
- Monitoring developments in the structure and risk profile of the Bank's credit portfolios, so that appropriate action can be taken to mitigate actual or potential changes in risk profile
- Escalating significant credit issues to senior committees and NBK Group
- The Credit Approval Committee (CAC), which approves new credit applications as well as the conclusions and actions from ongoing credit reviews, is a sub-committee of CRC.

Operational Risk Committee (ORC)

ORC 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
- Ensuring that operational risks deriving from projects and change are identified and managed
- Overseeing operational risks associated with products, services and related customer outcomes.

ESG Committee (ESGC)

The Committee's principal objective is to assist the Board in ensuring that NBKI is, and remains a committed, socially responsible corporate citizen in the context of the economy, society, and environment in which the Bank operates. It is responsible for monitoring the Bank's activities having regard to any relevant legislation, other legal requirements, or prevailing codes of best practice.

Provisions Committee (PC)
PC meets monthly and is responsible for reviewing and agreeing expected credit loss forecasts including individually assessed Stage 3 cases. It holds Risk responsible for the operation of expected credit loss models that reflect risks and macroeconomic factors relevant to NBKI's exposures and will review and approve all considerations of potential post-model adjustments. It also monitors the Bank's Management Concerns List and Watch List through challenge of business heads.

Model Governance Committee (MGC)
MGC is responsible for overseeing the status, development, documentation, monitoring and general control of models and is supported in this by NBKI Risk. Model governance occurs between MGC (for more detailed technical examination of models) and the management committees who depend on the models and who are required to understand model limitations and assumptions and approve such models for live use.

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
- If the Board decided to enter Solvent Exit status.

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.

Compliance and Financial Crime Committee (CFCC)
This committee is responsible for:

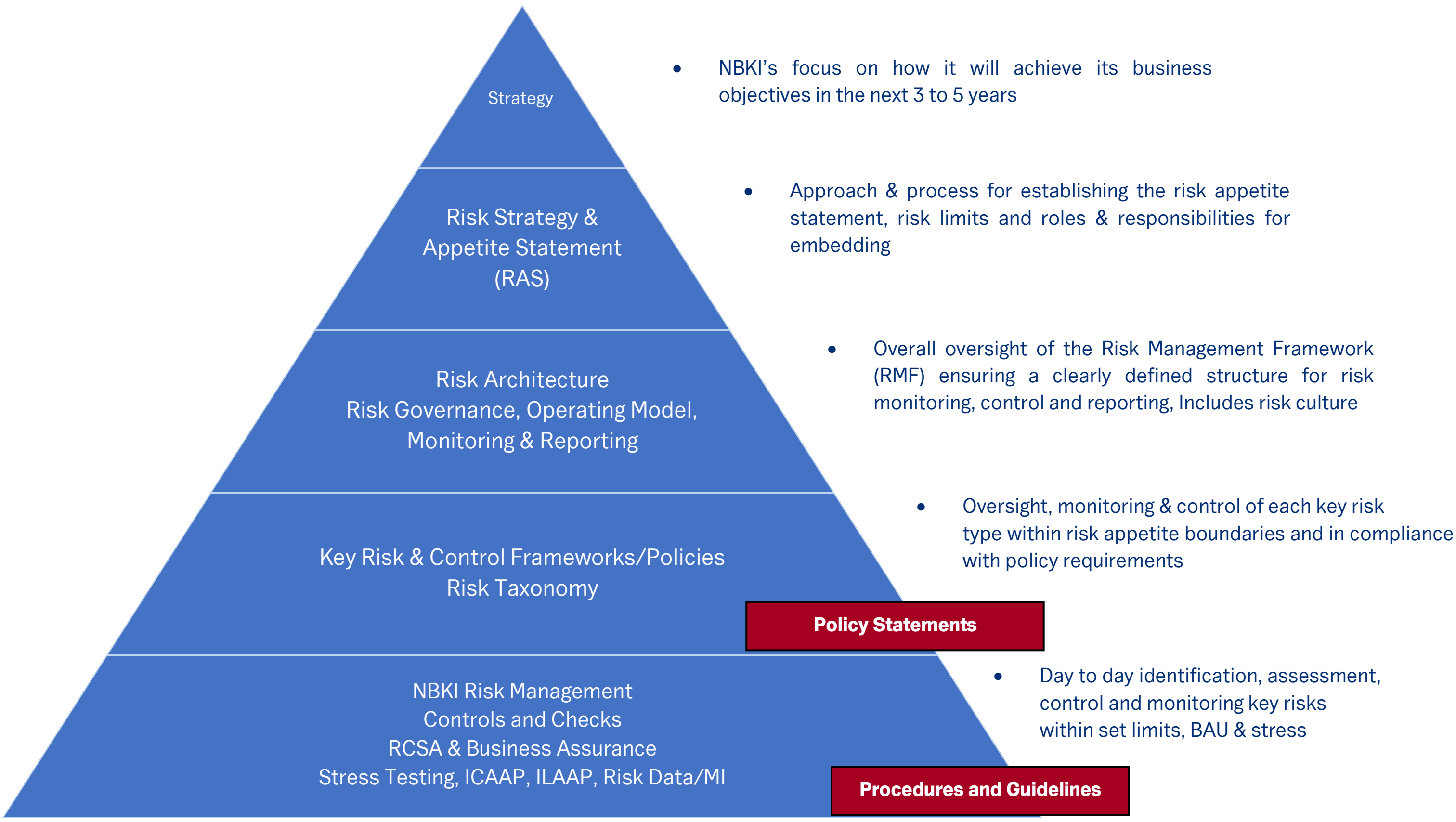
- Overseeing the management of the Compliance and MLRO functions and ensuring that approved policy, in line with all applicable regulations, is implemented and monitored effectively
- Overseeing the arrangements for compliance monitoring, regulatory reporting and responding to regulatory and audit recommendations 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

Overarching 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 Adequacy	**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 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 efficient. 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" model, as follows.

Table 1: Three Lines

	1st Line	2nd Line	3rd Line
Oversight	The Board supported by the Executive Management Committee and its sub-committees.	The Board Risk Committee supported by the Executive sub-committees.	The Board Audit sub-committees supported by Internal Audit and the External Auditors.
Function	Ownership, responsibility and accountability for risks and controls.	Monitors and facilitates the implementation of effective risk management. Provides oversight and challenge, support and advice.	Provides assurance of: (i) 1st Line and 2nd Line (ii) regulatory interpretation and reporting.
Unit	Retail Bank, Private Bank, Commercial Real Estate, Corporate Bank and Treasury.	Risk, Compliance, Financial Crime, Legal, Information Security and Financial Control.	Internal Audit, NBK Internal Audit, Independent 3rd Parties.
Embedding	The Board, via the CEP delegates to business line heads day-to-day responsibility for risk management, regulatory compliance, internal control and conduct in running their business areas.	The Board Risk sub-committee delegates to the Chief Risk Officer day-to-day responsibility for oversight and challenge to provide assurance on the management of risk.	Internal Audit and External Audit execute independent reviews to test that controls are working effectively and remain up to date within current regulation.

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: Principal 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. NBKI manages concentration risk through individual, sectoral and geographic limits. NBKI approach to collateral management is anchored on lending at low LTV levels specific to residential and CRE sectors in specific geographic areas or sub-sectors whose long term valuation trends are well known to the Bank.

Risk Type	Definition	Mitigating Actions
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.
Operational Risk	The risk of loss, whether direct or indirect, to which NBKI is exposed due to inadequate or failed internal processes or systems, human error, or external events.	The Bank like all other similar organisations is exposed to a variety of operational risks. The Bank identifies, assesses, monitors, and mitigates these risks through a comprehensive system of internal controls and operational practices as set out in its Operational Risk Management Framework and Policy ("ORMFP"). It is the role of the Operational Risk Committee to monitor and facilitate the effective implementation of operational risk policies and controls.
Market Risk	The risk to capital or earnings from the adverse movement of market variables such as interest rates and foreign exchange rates.	The Bank does not operate a trading book. However, the Bank is exposed to market risk arising from its banking activities which include interest rate and foreign exchange risk. The Bank has limits pre-established by the Board of Directors for both these risks which are ultimately monitored by ALCO. The Bank has very low risk appetite and in practice, would undertake foreign exchange forwards and interest rate swaps to mitigate its long-term exposure.

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 the Strategic Report part of the financial statements.

Emerging Risk	Definition	Mitigating Actions
Climate Change Risk	Climate Change is a growing risk and ongoing consideration needs to be given to the longer-term impacts, particularly in relation to the Bank's loan portfolio. If left unchecked, it could lead to a medium/long term risk to the credit quality of the Bank's loan portfolio because of extreme climate events such as flood risk.	In terms of climate change, the primary risks impacting the Bank include transition risk as the economy moves towards a lower emissions economy, and physical risk which arises from the increased severity of adverse weather phenomena. Climate risk metrics covering transition and physical risks are included in the risk appetite statement of the Bank approved by the Board. Every credit approval includes an assessment on climate risk. For lending secured by property the focus is on EPC and flood ratings. Furthermore, as part of the credit approval process for the Corporate business, there is consideration of the operating sector and the borrower's strategy towards environmental, social and governance ("ESG") risks, including specific consideration of climate risk.
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 an Information Security framework based on industry standards and enterprise level tools. A suitable 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 information security.

Emerging Risk	Definition	Mitigating Actions
Geopolitical uncertainty	The Bank faces elevated geopolitical risks arising from the conflicts in the Middle East and Ukraine. The escalation or broadening of either conflict could aggravate supply chain disruptions and drive inflation higher which may pose a challenge to our customers and our business.	Whilst the Bank has no direct exposure to either conflict, NBKI continues to closely monitor the geopolitical developments and analyse the risks and potential implications which includes the stress testing of our portfolios. The Bank monitors a range of current and forward looking measures covering all risk types (primarily operational, credit and liquidity). These are reviewed by management and oversight forums on an ongoing basis, and appropriate responsive action undertaken.
Operational resilience risk	The risk of disruption to the Bank's activities. The Bank operates in an environment whereby its customers expect business services to run without disruption. The loss or disruption to business services is an inherent risk to the Bank. Failure to build resilience and recovery capabilities into business processes may result in significant customer detriment, resulting in financial penalties and costs to reimburse losses incurred by the Bank's customers, as well as reputational damage.	Maintaining Operational Resilience is a key regulatory and operational requirement to ensure the Bank can prevent, respond to, recover and learn from operational disruptions. In 2024, the Board considered and approved the Bank's Operational Resilience framework, which included the identification and mapping of Important Business Services as well setting of the Impact Tolerances. As of 31 March 2025, the Bank completed its stress testing and self-assessments relating to its Important Business Services and has met the regulators requirements.
Delivery of digital transformati on strategy	As part of the Bank's digital strategy, NBKI will embark on transforming as well as digitising its technology and operations in order to improve the customer experience. The ability to execute the Bank's digital transformation projects on time may be limited by operational capacity, as well as the increasing complexity of the regulatory environment. The failure to deliver the digital strategy could have adverse effects on the Bank's longer term financial performance and may cause reputational damage.	The Bank has both allocated and recruited dedicated resources to support the delivery of its digital strategy. Resource planning helps the Bank ensure it recruits sufficient resources and skills to manage the risk. Furthermore, regular reporting of key risk metrics is provided to both management and the Board, to ensure the execution of strategy remains within the Bank's risk appetite.

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 2024 to 31 December 2024.

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 2024 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 GBP 000's	31 Dec 2024 GBP 000's	31 Dec 2023 GBP 000's
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital *	501,570	419,602
Tier 1 Capital	501,570	419,602
Total Capital	501,570	419,602
Risk Weighted Assets		
Total RWA	2,503,806	2,045,653
Capital Ratios (as percentage of RWA)		
Common Equity Tier 1 Ratio	20.03%	20.51%
Total Capital Ratio	20.03%	20.51%
Leverage Ratio		
Total exposure measure excluding claims on central banks	4,133,905	3,529,419
Leverage ratio excluding claims on central banks (%)	12.13%	11.89%
Liquidity Coverage Ratio ('LCR')		
Total high-quality liquid assets (HQLA) (Weighted value average)	925,985	696,398
Total net cash outflows (adjusted value)	215,454	212,100
Liquidity coverage ratio (%) (adjusted value)	430%	328%
Net Stable Funding Ratio ('NSFR')		
NSFR ratio (%)	127%	125%

* Includes audited current year profits

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

	Risk Weighted Assets		Total own funds requirements	
	31 Dec 2024 GBP 000's	31 Dec 2023 GBP 000's	31 Dec 2024 GBP 000's	31 Dec 2023 GBP 000's
Credit risk (excluding CCR)	2,342,000	1,904,019	187,360	152,322
Of which the standardised approach	2,342,000	1,904,019	187,360	152,322
Counterparty credit risk - CCR	11,448	23,919	916	1,914
Of which the standardised approach	7,220	18,345	578	1,468
Of which credit valuation adjustment - CVA	4,228	5,574	338	446
Operational risk	150,357	117,715	12,029	9,417
Of which basic indicator approach (BIA) *	150,357	117,715	12,029	9,417
Total**	2,503,806	2,045,654	200,304	163,652

* Includes audited current year profits
** There was no market risk at 31 December 2024

4.4. Composition of Regulatory Own Funds

Table 5: Capital movement

	31 Dec 2024 GBP 000's	31 Dec 2023 GBP 000's
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	283,329	227,715
Cumulative retained earnings	217,721	192,203
Translation reserve	0	-1,438
Accumulated other comprehensive income (and other reserves)	928	1,481
Total Shareholders' Equity per Statutory Accounts *	501,978	419,961
Regulatory adjustment: Additional value adjustments	-408	-294
Common Equity Tier 1 (CET1) capital after Regulatory adjustments	501,570	419,668
Tier 1 Capital	501,570	419,668
Total Capital	501,570	419,668
Total Risk exposure amount (RWA)	2,503,806	2,045,654
Capital ratios		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	20.03%	20.52%
Tier 1 (as a percentage of total risk exposure amount)	20.03%	20.52%
Total capital (as a percentage of total risk exposure amount)	20.03%	20.52%

* Includes audited current year profits

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.

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 2024, 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. Each country has the discretion to set this buffer.

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

GBP 000's	31 Dec 2024	
	Balance sheet as per published financial statements	Under regulatory scope of consolidation
Shareholders' Equity		
Share capital	283,329	283,329
Profit for the year	32,569	32,569
Share premium	-	-
Translation reserve	-	-
Cumulative retained earnings	185,152	185,152
Other Comprehensive Income	928	928
Shareholders' equity	501,978	501,978
Regulatory Adjustments		(408)
Regulatory Own Funds		501,570

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 Category 3 Bank under FCA guidance.

The Bank employed an average of 162 members of staff during 2024 (157 during 2023). The total staff costs of the Bank (as disclosed in Note 7 of the 2024 Annual Report and Financial Statements) were GBP 22.9m (GBP 20.7m in 2023) and includes costs relating to temporary contract staff.

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 2024, the Bank had 30 MRTs, of whom 7 were also classed as Senior Managers. All 30 of those MRTs were exempted from the requirements to defer any variable remuneration as they are below the de-minimus threshold.

Fixed remuneration relating to 2024 for MRTs was £4.60m and variable remuneration relating to 2024 was £1.34m (Performance – bonus).