

National Bank of Kuwait (International) PLC

Year ended 31 December 2008

Financial Services Authority (FSA) Basel II capital adequacy regulations

Pillar 3 market discipline disclosures : supplementary disclosures

NBKI PLC financial statements note 30 states that the required disclosures are available on the NBK group website.

This refers to the disclosures included in the NBK group annual report (also available on this website) to the extent that they are complete and comparable with FSA standards.

Where the NBK group disclosures diverge from FSA standards supplementary disclosures or explanations may be required.

The relevant FSA Handbook regulations include three rules which are not covered precisely by the NBK group disclosures :

FSA Sourcebook BIPRU 11.5.4R(2)

This rule requires disclosure of capital requirements at 8% of the risk weighted exposure amounts for each of the standardised credit risk exposure classes.

The NBK group discloses the capital requirements at 12% (in line with the Central Bank of Kuwait minimum) instead of at 8%.

The actual disclosure therefore exceeds (but is consistently proportional to) the FSA requirement.

FSA Sourcebook BIPRU 11.5.10R(3)

This rule requires disclosure of a description of the process used to transfer credit ratings on to banking book exposures.

For avoidance of doubt the NBK group applies the same credit quality assessment scale and other processes as specified by the FSA regulations at :

- BIPRU 3.3
- BIPRU 3.4
- BIPRU 3.6
- BIPRU 3 Annex 4

FSA Sourcebook BIPRU 11.5.10R(5)

This rule requires disclosure for each standardised approach asset class of the exposure values and exposure values after credit risk mitigation (CRM) for each credit quality step.

This information is not included in the NBK group annual report because it is regarded as proprietary.

By way of general information the NBK group annual report includes a disclosure (5.2.9) analysing exposure values after CRM between rated and unrated for each exposure class.