



Kuwait International Bank K.S.C.P and its Subsidiaries

Basel III disclosure – Pillar III

Period Ended 31 March 2022

Basel III - Pillar III disclosures

For the period ended 31 March 2022

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Objective:

The main objectives of this section are:

1. To allow market participants and investors (especially investment account holders) to assess KIB's exposure to risks as per Basel III general disclosure requirements.
2. To comply with CBK instructions and regulations for Islamic Bank's general disclosures related to Capital Adequacy Standard under Basel III.

Bank's Disclosure Approach:

- Consolidated basis (Kuwait International Bank KSCP ("KIB" or "the Bank") and its subsidiaries (together the Group), on a semi-annual basis, reviewed by the external auditors of the Bank. The annual disclosures are audited by external auditors of the Bank.
- The disclosures are made relying on calculating the minimum capital required by applying capital adequacy instructions of CBK to cover:
 1. Credit and Market risks using the Standardized Approach.
 2. Operational risk using the Basic Indicator Approach.

Under the Framework of Capital Adequacy, Banks must provide timely, accurate, relevant and adequate disclosures of qualitative and quantitative information that enables users to assess their activities and risk profile. The following public disclosures are made in line with the requirements of CBK.

First: Group Structure

KIB is engaged in providing Islamic banking, finance and investment services that comply with Islamic Shariah. Al Dawli Takaful Insurance Company KSCC ("KIB Takaful").

KIB owns 73.60% (31 March 2021: 73.60%) of the issued share capital of KIB Takaful, which is an Islamic insurance company registered in Kuwait. Its main activity is to provide Takaful insurance (co-operative insurance). In addition, the bank owns 100% of issued share capital of KIB Tier 1 Sukuk Limited and KIB Sukuk Limited, incorporated as a special purpose company with limited liability in the Cayman Islands.

Second: Capital Structure

The Group's regulatory capital comprises of Common Equity Tier 1 (CET 1) capital which demonstrates the Group's strength and includes share capital, share premium, reserves, retained earnings less treasury shares and dividends declared. Additional Tier 1 (AT1) capital includes eligible portion of non-controlling interests and additional tier 1 sukuk. Tier 2 (T2) consists of eligible portion of non-controlling interests and general provision up to 1.25% of the total credit risk weighted assets according to rules and regulations.

The Group does not have exposure to derivatives, structured credit product and / or complex equity instruments, which are prohibited by the Islamic Shariah principles.

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Particulars	March 2022 (KD '000)	March 2021 (KD '000)
<u>Common Equity (CET 1)</u>		
Share capital	117,806*	113,275
of which: proposed bonus shares	-	-
Share premium	49,480	49,480
Revaluation reserve	13,493	14,037
Fair Value reserve	9,947	19,055
Statutory Reserve	39,876	38,737
Voluntary Reserve	33,793	32,654
Treasury share reserve	4,846	4,846
Retained earnings	35,806	38,470
Foreign currency translation reserve	135	-
<u>Less:</u>		
Treasury shares	(45,234)	(45,234)
Proposed Dividends	(4,078)	-
Goodwill and other intangibles	-	-
Foreign currency translation reserve	-	(315)
Investments in FIs with ownership of less than 10% and above the threshold	-	-
Investments in FIs with ownership of more than 10% and above the threshold	-	-
Total Common Equity Tier (1)	255,870	265,005
<u>AT (1)</u>		
<i>Additional Tier 1 instruments</i>	91,035	91,035
Eligible NCI in consolidated subsidiaries	331	416
<u>Less:</u>		
Reciprocal cross-holdings in Additional Tier 1 instruments	(16,260)	-
Total Tier (1)	330,976	356,456
<u>Tier (2)</u>		
General provision (up to 1.25% of the total credit risk weighted assets)	30,386	25,339
Eligible NCI in consolidated subsidiaries	78	76
Additional Tier II instruments	90,827	90,337
Total Tier (2)	121,291	115,752
Total eligible capital	452,268	472,208

*After proposed bonus share adjustment

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Third: Additional Capital Disclosure requirements

1. Common Disclosure Template:

The Group's regulatory capital which consists of the Common Equity Tier 1, AT1 and Tier 2 is as follows:

Common Equity Tier 1 capital: instruments and reserves		March 2022 (KD'000)	March 2021 (KD'000)
1	Directly issued qualifying common share capital plus related stock	167,286*	162,755
2	Retained earnings	31,728	38,470
3	Accumulated other comprehensive income (and other reserves)	102,090	109,014
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	301,104	310,239
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles (net of related tax liability)	-	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
11	Cash-flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Taskeek gain on sale (as set out in para 72 of the guidelines)	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined-benefit pension fund net assets (para 68)	-	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	(45,234)	(45,234)
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital)	-	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold of bank's CET1 capital)	-	-
20	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold	-	-
23	of which: significant investments in the common stock of financials	-	-
24	of which: mortgage servicing rights	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments	-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-

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28	Total regulatory adjustments to Common equity Tier 1	-	-
29	Common Equity Tier 1 capital (CET1)	255,870	265,005
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	91,035	91,035
31	of which: classified as equity under applicable accounting standards	91,035	91,035
32	of which: classified as liabilities under applicable accounting standards	-	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	331	416
35	of which: instruments issued by subsidiaries subject to phase-out	-	-
36	Additional Tier 1 capital before regulatory adjustments	91,366	91,451
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	16,260	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	Additional Tier 1 capital (AT1)	75,106	91,451
45	Tier 1 capital (T1 = CET1 + AT1)	330,976	356,456
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	90,827	90,337
47	Directly issued capital instruments subject to phase-out from Tier 2	-	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	78	76
49	of which: instruments issued by subsidiaries subject to phase-out	-	-
50	General provisions included in Tier 2 capital	30,386	25,339
51	Tier 2 capital before regulatory adjustments	121,291	115,752
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-

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56	National specific regulatory adjustments	-	-
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	121,291	115,752
59	Total capital (TC = T1 + T2)	452,268	472,208
60	Total risk weighted assets (after applying 50% additional weighting)	2,534,300	2,127,834
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.10%	12.45%
62	Tier 1 (as a percentage of risk weighted assets)	13.06%	16.75%
63	Total capital (as a percentage of risk weighted assets)	17.85%	22.19%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.00%	7.00%
65	of which: capital conservation buffer requirement	-	-
66	of which: bank specific countercyclical buffer requirement	-	-
67	of which: D-SIB buffer requirement	-	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	3.10%	5.45%
National minima			
69	National Common Equity Tier 1 minimum ratio	7.00%	7.00%
70	National Tier 1 minimum ratio	8.50%	8.50%
71	National total capital minimum ratio excluding CCY and DSIB	10.50%	10.50%
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financials	-	-
73	Significant investments in the common stock of financials	-	-
74	Mortgage servicing rights (net of related tax liability)	-	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	61,383	50,006
77	Cap on inclusion of provisions in Tier 2 under standardized approach	30,386	25,339
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

**After proposed bonus share adjustment*

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2. Reconciliation Requirement

The Group has applied the three-step approach for the reconciliation between the Consolidated Statement of Financial Position items and the regulatory capital elements as outlined in the regulations as follows:

Step (1) and (2):

Item	Balance sheet as in published financial statements	March 2022	Ref.
		(KD'000) Under regulatory scope of consolidation	
<u>Asset</u>			
Cash	6,938	6,938	
Cash and bank balances at central banks	276,152	276,152	
Items in the course of collection from other banks and FIs	272,115	272,115	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	2,490	2,490	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	15,117	15,117	
Financing and advances to customers	2,410,287	2,410,287	
of which general provisions (netted above) capped for Tier 2 inclusion	30,386	30,386	(a)
Financial assets at fair value through other comprehensive	297,060	297,060	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	32,111	32,111	
Investment properties	53,496	53,496	
Investments in associates and joint ventures	1,682	1,682	
Goodwill and other intangible assets (a) + (b)	-	-	
- Goodwill	-	-	
- Intangible assets	-	-	
Property, plant and equipment	38,070	38,070	
<u>Total assets</u>	3,405,518	3,405,518	
<u>Liabilities</u>			
Deposits from banks and FIs	750,530	750,530	
Items in the course of collection due to other banks	-	-	
Customer accounts	2,150,078	2,150,078	
Trading portfolio liabilities	-	-	
Financial liabilities at fair value through statement of income	-	-	
Shariaà compliant hedging contracts	-	-	
Financing securities (Sukuk)	90,827	90,827	(q)
Accruals, deferred income and other liabilities	57,377	57,377	
Current and deferred tax liabilities (c) + (d)	-	-	
- Deferred tax liabilities related to goodwill	-	-	
- Deferred tax liabilities related to intangible assets	-	-	
Provisions (non-cash)	3,537	3,537	
Retirement benefit liabilities	-	-	
<u>Total liabilities</u>	3,052,349	3,052,349	

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Step (1) and (2) (continued):

Item	Balance sheet as in published financial statements	March 2022 (KD'000)	
		Under regulatory scope of consolidation	Ref.
Equity			
Share capital	113,275	113,275	(b)
Share premium	49,480	49,480	(c)
Treasury shares	(45,234)	(45,234)	(d)
Revaluation reserve	13,493	13,493	(e)
Fair Value reserve	9,947	9,947	(f)
Statutory Reserve	39,876	39,876	(g)
Voluntary Reserve	33,793	33,793	(h)
Treasury share reserve	4,846	4,846	(i)
Retained earnings	38,735	38,735	
Of which Retained Earnings eligible as CET1 Capital	36,285	36,285	(j)
Of which Modification loss on deferral of financing instalments	(4,052)	(4,052)	
Of which proposed bonus share	4,531	4,531	(k)
Foreign currency translation reserve	135	135	(l)
Attributable to Bank's equity shareholders	258,346	258,346	
Perpetual Tier 1 sukuk	91,035	91,035	(m)
Non-controlling interests	3,788	409	
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	331	(n)
- Tier (2)	-	78	(o)
Total equity	353,169	349,790	
Total liabilities and equity	3,405,518	3,402,139	

Item	Balance sheet as in published financial statements	March 2021 (KD'000)	
		Under regulatory scope of consolidation	Ref.
Asset			
Cash	10,947	10,947	
Cash and bank balances at central banks	228,328	228,328	
Items in the course of collection from other banks and FIs	261,189	261,189	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	13,576	13,576	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	6,004	6,004	
Financing and advances to customers	1,993,718	1,993,718	
of which general provisions (netted above) capped for Tier 2 inclusion	25,339	25,339	(a)
Financial assets at fair value through other comprehensive income	187,704	187,704	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	20,818	20,818	
Investment properties	53,772	53,772	
Investments in associates and joint ventures	1,601	1,601	
Goodwill and other intangible assets (a) + (b)	-	-	
- Goodwill	-	-	
- Intangible assets	-	-	
Property, plant and equipment	33,018	33,018	
Total assets	2,810,675	2,810,675	

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Step (1) and (2) (continued):

March 2021
(KD'000)

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
<i>Liabilities</i>			
Deposits from banks and FIs	588,066	588,066	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,731,831	1,731,831	
Trading portfolio liabilities	-	-	
Financial liabilities at fair value through statement of income	-	-	
Shariaà compliant hedging contracts	-	-	
Financing securities (Sukuk)	90,337	90,337	(q)
Accruals, deferred income and other liabilities	40,490	40,490	
Current and deferred tax liabilities (c) + (d)	-	-	
- Deferred tax liabilities related to goodwill	-	-	
- Deferred tax liabilities related to intangible assets	-	-	
Provisions (non-cash)	4,632	4,632	
Retirement benefit liabilities	-	-	
<i>Total liabilities</i>	2,455,356	2,455,356	
<i>Equity</i>			
Share capital	113,275	113,275	(b)
Share premium	49,480	49,480	(c)
Proposed Bonus share	-	-	
Treasury shares	(45,234)	(45,234)	(d)
Revaluation reserve	14,037	14,037	(e)
Fair Value reserve	19,055	19,055	(f)
Statutory Reserve	38,737	38,737	(g)
Voluntary Reserve	32,654	32,654	(h)
Treasury share reserve	4,846	4,846	(i)
Retained earnings	34,079	34,079	(j)
of which: proposed dividends	-	-	(k)
Foreign currency translation reserve	(315)	(315)	(l)
<i>Attributable to Bank's equity shareholders</i>	260,614	260,614	
Perpetual Tier 1 Sukuk	91,035	91,035	(m)
Non-controlling interests	3,670	491	
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	416	(n)
- Tier (2)	-	76	(o)
<i>Total equity</i>	355,319	352,140	
<i>Total liabilities and equity</i>	2,810,675	2,807,496	

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Step 3:

March 2022
(KD'000)

Common Equity Tier 1 capital: instruments and reserves		Component of regulatory capital	Source based on reference letters of the balance sheet under the regulatory scope of consolidation from Step 2
1	Directly issued qualifying common share capital plus related stock surplus	167,286*	(b)+(c)+(k)
2	Retained earnings	35,806	(j)
3	Accumulated other comprehensive income (and other reserves)	102,090	(e)+(f)+(g)+(h)+(i)+(l)
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
5	Common Equity Tier 1 capital before regulatory adjustments	305,182	
Common Equity Tier 1 capital: regulatory adjustments			
6	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	(45,234)	(d)
7	Proposed Dividend	(4,078)	
8	Common Equity Tier 1 capital (CET1)	255,870	
Additional Tier 1 capital: instruments			
9	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	91,035	(m)
10	Additional Tier 1 instruments (and CET1 instruments not included in row 4) issued by subsidiaries and held by third parties (amount allowed in group AT1)	331	(n)
11	Reciprocal cross-holdings in Additional Tier 1 instruments	(16,260)	
12	Additional Tier 1 capital (AT1)	75,106	
13	Tier 1 capital (T1)	330,976	
Tier 2 capital: instruments and provisions			
14	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 4 or 10) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	78	(o)
15	General provisions included in Tier 2 capital	30,386	(a)
16	Additional Tier II instruments	90,827	(q)
17	Tier 2 capital (T2)	121,291	
18	Total capital (T1+T2)	452,268	

*After proposed bonus share adjustment

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March 2021

(KD'000)

Common Equity Tier 1 capital: instruments and reserves		Component of regulatory capital	Source based on reference letters of the balance sheet under the regulatory scope of consolidation from Step 2
1	Directly issued qualifying common share capital plus related stock surplus	162,755	(b)+(c)
2	Retained earnings	38,470	(j) + (k)
3	Accumulated other comprehensive income (and other reserves)	109,014	(e)+(f)+(g)+(h)+(i)+(l)
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
5	Common Equity Tier 1 capital before regulatory adjustments	310,239	
Common Equity Tier 1 capital: regulatory adjustments			
6	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	(45,234)	(d)
7	Proposed Dividend	-	
8	Common Equity Tier 1 capital (CET1)	265,005	
Additional Tier 1 capital: instruments			
9	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	91,035	(m)
10	Additional Tier 1 instruments (and CET1 instruments not included in row 4) issued by subsidiaries and held by third parties (amount allowed in group AT1)	416	(n)
11	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
12	Additional Tier 1 capital (AT1)	91,451	
13	Tier 1 capital (T1)	356,456	
Tier 2 capital: instruments and provisions			
14	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 4 or 10) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	76	(o)
15	General provisions included in Tier 2 capital	25,339	(a)
16	Additional Tier II instruments	90,337	(q)
17	Tier 2 capital (T2)	115,752	
18	Total capital (T1+T2)	472,208	

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3. Main features disclosure

Disclosures for main features of regulatory capital instruments

1. Issuer	Kuwait International Bank K.S.C.P.	KIB Tier 1 Sukuk Limited	KIB Sukuk Limited
2. Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	KIB (KW0EQ0100069)	ISIN: XS2005148072	ISIN: XS2262982072
3. Governing laws of the instrument	Law No. 32/1968 and Law No. 1/ 2016	English Law	English Law
4. Type of Capital (CET1, AT1, T2)	CET1 (Share capital)	AT1	T2
5. Eligible at solo/group/group and solo	Group	Group and solo	Group and solo
6. Instrument type	Equity	Subordinated Mudaraba Sukuk	Wakala and Commodity Murabaha
7. Amount recognised in regulatory capital	113,275	USD 300 Million	USD 300 Million
8. Par value of instrument	100 fils	USD 100	USD 100
9. Accounting classification	Equity	Equity (AT1)	Liability
10. Original date of issuance	13 May 1973 (Incorporation)	10 June 2019	30 November 2020
11. Perpetual or dated	Perpetual	Perpetual	Dated
12. Original maturity date	N/A	No maturity	30 November 2030
13. Issuer call subject to prior supervisory approval	N/A	Yes	Yes
14. Optional call date, contingent call dates and redemption amount	N/A	Optional Call Date: 10 June 2024; Capital event or tax event call: principal + profit	Optional Call Date: 30 November 2025; Capital event or tax event call: principal + profit
15. Subsequent call dates, if applicable	N/A	Semi- Annually after 10 June 2024	Semi- Annually after 30 November 2025
16. Fixed or floating dividend/coupon	N/A	Fixed (Subject to profit-rate reset after every 5 years)	Fixed (Subject to profit-rate reset after every 5 years)
17. Coupon rate and any related index	N/A	5.625% per annum; 5Y UST	2.375% per annum; 5Y UST
18. Existence of a dividend stopper	N/A	Yes	No
19. Fully discretionary, partially discretionary or mandatory	N/A	Fully discretionary	Mandatory
20. Existence of step up or other incentive to redeem	N/A	No	No
21. Noncumulative or cumulative	N/A	Noncumulative	Noncumulative
22. Convertible or non-convertible	N/A	Non-convertible	Non-convertible
23. If convertible, conversion trigger	N/A	NA	NA
24. If convertible, fully or partially	N/A	NA	NA
25. If convertible, conversion rate	N/A	NA	NA
26. If convertible, mandatory or optional conversion	N/A	NA	NA
27. If convertible, specify instrument type convertible into	N/A	NA	NA
28. If convertible, specify issuer of instrument it converts into	N/A	NA	NA
29. Write-down feature	N/A	Yes	Yes
30. If write-down, write-down trigger	N/A	Determination by regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency	Determination by regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency

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		intervention to remain viable.	intervention to remain viable.
31. If write-down, full or partial	N/A	Full or partial (On pro rata basis)	Full or partial (On pro rata basis)
32. If write-down, permanent or temporary	N/A	Permanent	Permanent
33. If temporary write-down, description of write-up mechanism	N/A	NA	NA
34. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Subordinated, senior only to ordinary shares	Subordinated, senior only to ordinary shares and qualifying Tier 1 instruments
35. Non-compliant transitioned features	N/A	None	None
36. If yes, specify non-compliant features	N/A	NA	NA

Fourth: Capital Adequacy Ratio

At 31 March 2022 the total Capital Adequacy Ratio is 17.85% (31 March 2021: 22.19%) compared to the ratio required by regulatory authorities of 11.50% (31 March 2021: 10.50%), Tier 1 Capital of 13.06% (31 March 2021: 16.75%) and Tier 2 Capital of 4.79% (31 March 2021: 5.44%).

- The percentage of the total Capital Adequacy Ratio is derived from dividing the eligible capital (CET 1 + AT 1 + Tier 2) by the total risk weighted exposure.
- The percentage of the Tier 1 Capital Adequacy Ratio is derived from dividing the Tier 1 capital (CET 1 + AT 1) by the total risk weighted exposure.
- The percentage of the Tier 2 Capital Adequacy Ratio is derived from dividing the Tier 2 capital by the total risk weighted exposure.

At 31 March 2022, the minimum capital requirement for the credit risk weighted exposure is KD 275,990 thousand (31 March 2021: KD 210,262 thousand), market risk weighted exposure is KD 1,140 thousand (31 March 2021: KD 103 thousand) and the operational risk weighted exposure is KD 14,314 thousand (31 March 2021: KD 13,059 thousand).

The day 1 loss impact is considered for CAR computation over four years at straight line (25%) commencing from 2021 in accordance with CBK circular 2/RB, RBA/461/2020 dated 5 July 2020.

The Group ensures compliance with CBK requirements in relation to capital adequacy through monitoring the internal limits.