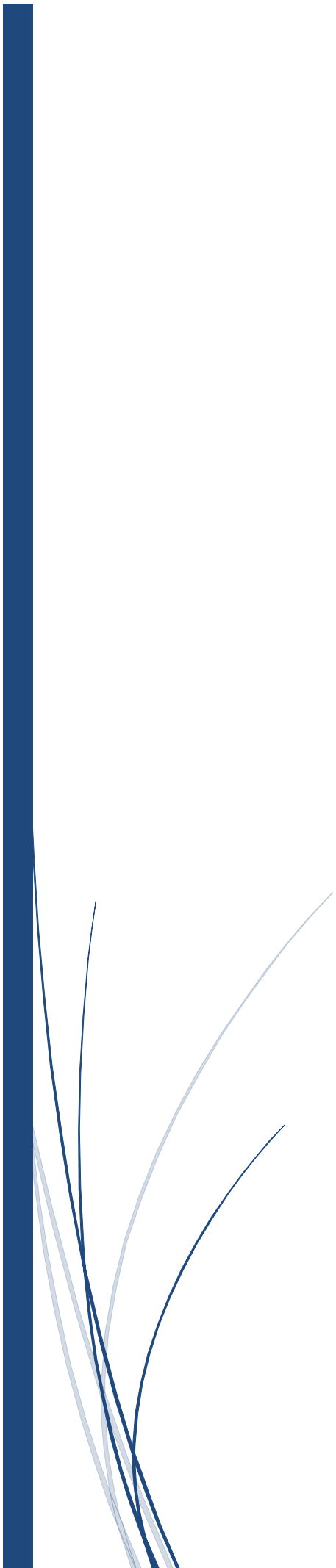




# Pillar III Disclosures

Basel III

Period Ended 31 March 2019



# **Kuwait International Bank K.S.C.P. and Its Subsidiary**

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Basel III - Pillar III disclosures

For the period ended 31 March 2019

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## **Kuwait International Bank K.S.C.P. and Its Subsidiary**

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Basel III - Pillar III disclosures

For the period ended 31 March 2019

### **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 vide its circular 2/RB, RBA/336/2014 dated 24 June 2014 for Islamic Banks General Disclosures related to Capital Adequacy Standard under Basel III.

### **Banks' Disclosure Approach:**

- Consolidated basis (Kuwait International Bank KSCP ("KIB" or "the Bank") and its subsidiary (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:
  - Credit and Market risks using the Standardized Approach.
  - 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 Shariaa. Ritaj Takaful Insurance Company K.S.C.C. is a consolidated subsidiary.

KIB owns 73.60% (31 March 2018: 73.60%) of the issued share capital of its subsidiary which is an Islamic insurance company registered in Kuwait. Its main activity is to provide Takaful insurance (co-operative insurance).

### **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. 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 Shariaa principles.

As at 31 March 2019, Common Equity Tier 1 amounted to KD 263,460 thousand (31 March 2018: KD 251,282 thousand) and Additional Tier 1 amounted KD 396 thousand (31 March 2018, KD 382 thousand), Tier 2 amounted KD 20,353 thousand (31 March 2018: KD 16,956 thousand), the total eligible capital of the Group as of 31 March 2019 is KD 284,209 thousand (31 March 2018: KD 268,620 thousand).

## Kuwait International Bank K.S.C.P. and Its Subsidiary

Basel III - Pillar III disclosures

For the period ended 31 March 2019

### 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:

Particulars	31 March 2019 (KD'000)	31 March 2018 (KD'000)
<b><u>Common Equity (CET 1)</u></b>		
Share capital	107,881	103,732
Share premium	49,480	49,480
Revaluation reserve	14,937	15,530
Fair value reserve	16,337	14,862
Statutory reserve	36,891	34,656
Voluntary reserve	30,808	28,573
Treasury share reserve	4,846	4,846
Retained earnings	47,514	44,835
<b><u>Less:</u></b>		
Treasury shares	(45,234)	(45,234)
Dividends declared	-	-
Goodwill and other intangibles	-	-
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	-	-
<b>Total Common Equity Tier (1)</b>	<b>263,460</b>	<b>251,282</b>
<b><u>AT (1)</u></b>		
Eligible NCI in consolidated subsidiaries	396	382
<b><u>Total Tier (1)</u></b>	<b>263,856</b>	<b>251,664</b>
<b><u>Tier (2)</u></b>		
General provision (up to 1.25% of the total credit risk weighted assets)	20,281	16,887
Eligible NCI in consolidated subsidiaries	72	69
<b>Total Tier (2)</b>	<b>20,353</b>	<b>16,956</b>
<b>Total eligible capital</b>	<b>284,209</b>	<b>268,620</b>

## Kuwait International Bank K.S.C.P. and Its Subsidiary

### Basel III - Pillar III disclosures

For the period ended 31 March 2019

#### 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):

31 March 2019

(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<b><u>Assets</u></b>			
Cash	8,115	8,115	
Cash and bank balances at central banks	264,487	264,487	
Items in the course of collection from other banks and FIs	124,749	124,749	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	12,713	12,713	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	30,272	30,272	
Financing and advances to customers	1,636,492	1,636,492	
Financial assets at fair value through other comprehensive income	68,583	68,583	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	13,158	13,158	
Investment properties	58,451	58,451	
Investments in associates and joint ventures	1,518	1,518	
Goodwill and other intangible assets (a) + (b)	-	-	
- Goodwill	-	-	(a)
- Intangible assets	-	-	(b)
Property, plant and equipment	29,085	29,085	
<b><u>Total assets</u></b>	<b>2,247,623</b>	<b>2,247,623</b>	
<b><u>Liabilities</u></b>			
Deposits from banks and FIs	546,328	546,328	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,373,345	1,373,345	
Trading portfolio liabilities	-	-	
Financial liabilities at fair value through statement of income	-	-	
Shariaà compliant hedging contracts	-	-	
Financing securities (Sukuk)	-	-	
Accruals, deferred income and other liabilities	49,915	49,915	
Current and deferred tax liabilities (c) + (d)	-	-	
- Deferred tax liabilities related to goodwill	-	-	(c)
- Deferred tax liabilities related to intangible assets	-	-	(d)
Provisions (non-cash)	4,877	4,877	
Retirement benefit liabilities	-	-	
<b><u>Total liabilities</u></b>	<b>1,974,465</b>	<b>1,974,465</b>	

**Kuwait International Bank K.S.C.P. and Its Subsidiary**

Basel III - Pillar III disclosures

For the period ended 31 March 2019

**Step (1) and (2): (Continued)****31 March 2019**

(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<b><i>Equity</i></b>			
Share capital (h) + (i)	<b>103,732</b>	<b>103,732</b>	
- Common Equity Tier (1)	103,732	103,732	(h)
- Additional Tier (1)	-	-	(i)
Share premium	49,480	49,480	
Treasury shares	(45,234)	(45,234)	
Other reserves	161,694	161,694	
<b><i>Attributable to Bank's equity shareholders</i></b>	<b>269,672</b>	<b>269,672</b>	
<b>Non-controlling interests</b>	<b>3,486</b>	<b>468</b>	(j)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	396	
- Tier (2)	-	72	
<b>Total equity</b>	<b>273,158</b>	<b>270,140</b>	
<b>Total liabilities and equity</b>	<b>2,247,623</b>	<b>2,244,605</b>	

## Kuwait International Bank K.S.C.P. and Its Subsidiary

Basel III - Pillar III disclosures

For the period ended 31 March 2019

Step (1) and (2):

31 March 2018  
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<b><i>Assets</i></b>			
Cash	7,196	7,196	
Cash and bank balances at central banks	315,348	315,348	
Items in the course of collection from other banks and FIs	82,731	82,731	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	13,382	13,382	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	25,687	25,687	
Financing and advances to customers	1,354,617	1,354,617	
Financial assets available for sale	73,735	73,735	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	14,561	14,561	
Investment properties	60,314	60,314	
Investments in associates and joint ventures	1,518	1,518	
Goodwill and other intangible assets (a) + (b)	-	-	
- Goodwill	-	-	(a)
- Intangible assets	-	-	(b)
Property, plant and equipment	26,637	26,637	
<b><i>Total assets</i></b>	<b>1,975,726</b>	<b>1,975,726</b>	
<b><i>Liabilities</i></b>			
Deposits from banks and FIs	367,494	367,494	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,287,702	1,287,702	
Trading portfolio liabilities	-	-	
Financial liabilities at fair value through statement of income	-	-	
Shariaà compliant hedging contracts	-	-	
Financing securities (Sukuk)	-	-	
Accruals, deferred income and other liabilities	52,581	52,581	
Current and deferred tax liabilities (c) + (d)	-	-	
- Deferred tax liabilities related to goodwill	-	-	(c)
- Deferred tax liabilities related to intangible assets	-	-	(d)
Provisions (non-cash)	5,615	5,615	
Retirement benefit liabilities	-	-	
<b><i>Total liabilities</i></b>	<b>1,713,392</b>	<b>1,713,392</b>	

**Kuwait International Bank K.S.C.P. and Its Subsidiary**

Basel III - Pillar III disclosures

For the period ended 31 March 2019

Step (1) and (2): (Continued)

31 March 2018

(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<i>Equity</i>			
Share capital (h) + (i)	103,732	103,732	
- Common Equity Tier (1)	103,732	103,732	(h)
- Additional Tier (1)	-	-	(i)
Share premium	49,480	49,480	
Treasury shares	(45,234)	(45,234)	
Other reserves	151,002	151,002	
<i>Attributable to Bank's equity shareholders</i>	258,980	258,980	
Non-controlling interests	3,354	451	(j)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	382	
- Tier (2)	-	69	
<i>Total equity</i>	262,334	259,431	
<i>Total liabilities and equity</i>	1,975,726	1,972,823	



## Kuwait International Bank K.S.C.P. and Its Subsidiary

Basel III - Pillar III disclosures

For the period ended 31 March 2019

Step (3):

31 March 2019  
(KD'000)

Serial No.	Common Equity (CET 1)	Components of regulatory capital reported by the Group	Source based on reference of the Statement of Financial Position under the regulatory scope of consolidation from Step 1&2
1	Share capital	107,881	(h)
2	Share premium	49,480	
3	Eligible NCI in consolidated subsidiaries	-	(j)
4	Revaluation reserve	14,937	
5	Fair Value reserve	16,337	
6	Statutory Reserve	36,891	
7	Voluntary Reserve	30,808	
8	Treasury share reserve	4,846	
9	Retained earnings	47,514	
10	<i>Common Equity Tier (I) capital before regulatory adjustments</i>	<b>308,694</b>	
11	Prudential valuation adjustments	-	
12	Goodwill (net of related tax liability)	-	(a) - (c)
13	Intangible (net of related tax liability)	-	(b) - (d)
14	Other exposures	-	
	<b>Total</b>	<b>308,694</b>	

31 March 2018  
(KD'000)

Serial No.	Common Equity (CET 1)	Components of regulatory capital reported by the Group	Source based on reference of the Statement of Financial Position under the regulatory scope of consolidation from Step 1&2
1	Share capital	103,732	(h)
2	Share premium	49,480	
3	Eligible NCI in consolidated subsidiaries	-	(j)
4	Revaluation reserve	15,530	
5	Fair Value reserve	14,862	
6	Statutory Reserve	34,656	
7	Voluntary Reserve	28,573	
8	Treasury share reserve	4,846	
9	Retained earnings	44,835	
10	<i>Common Equity Tier (I) capital before regulatory adjustments</i>	<b>296,514</b>	
11	Prudential valuation adjustments	-	
12	Goodwill (net of related tax liability)	-	(a) - (c)
13	Intangible (net of related tax liability)	-	(b) - (d)
14	Other exposures	-	
	<b>Total</b>	<b>296,514</b>	

## Kuwait International Bank K.S.C.P. and Its Subsidiary

### Basel III - Pillar III disclosures

For the period ended 31 March 2019

#### 3. Main features disclosure

Disclosures for main features of regulatory capital instruments.

	<b>Kuwait International Bank K.S.C.P.</b>
1. Issuer	
Unique identifier	KIB
2. (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	(KW0EQ0100069)
	Law No. 32/1968 and Law No. 1/ 2016
3. Governing laws of the instrument	Law No. 1/ 2016
4. Type of Capital (CET1, AT1 , T2)	CET1 + AT1 + T2
5. Eligible at solo/group/group and solo	Group
6. Instrument type	Equity
7. Amount recognised in regulatory capital	107,881
8. Par value of instrument	100 fils
9. Accounting classification	Equity
10. Original date of issuance	13 May 1973
11. Perpetual or dated	Perpetual
12. Original maturity date	N/A
13. Issuer call subject to prior supervisory approval	N/A
14. Optional call date, contingent call dates and redemption amount	N/A
15. Subsequent call dates, if applicable	N/A
16. Fixed or floating dividend/coupon	N/A
17. Coupon rate and any related index	N/A
18. Existence of a dividend stopper	N/A
19. Fully discretionary, partially discretionary or mandatory	N/A
20. Existence of step up or other incentive to redeem	N/A
21. Noncumulative or cumulative	N/A
22. Convertible or non-convertible	N/A
23. If convertible, conversion trigger	N/A
24. If convertible, fully or partially	N/A
25. If convertible, conversion rate	N/A
26. If convertible, mandatory or optional conversion	N/A
27. If convertible, specify instrument type convertible into	N/A
28. If convertible, specify issuer of instrument it converts into	N/A
29. Write-down feature	N/A
30. If write-down, write-down trigger	N/A
31. If write-down, full or partial	N/A
32. If write-down, permanent or temporary	N/A
33. If temporary write-down, description of write-up mechanism	N/A
34. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
35. Non-compliant transitioned features	N/A
36. If yes, specify non-compliant features	N/A

## **Kuwait International Bank K.S.C.P. and Its Subsidiary**

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Basel III - Pillar III disclosures

For the period ended 31 March 2019

### **Fourth: Capital Adequacy Ratio**

At 31 March 2019 the total Capital Adequacy Ratio is 16.52% (31 March 2018: 18.41%) compared to the ratio required by regulatory authorities of 13% (31 March 2018: 13%), Tier 1 Capital of 15.34% (31 March 2018: 17.25%) and Tier 2 Capital of 1.18% (31 March 2018: 1.16 %).

- 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 2019, the minimum capital requirement for the credit risk weighted exposure is KD 207,755 thousand (31 March 2018: KD 172,536 thousand), market risk weighted exposure is KD 80 thousand (31 March 2018: KD 264 thousand) and the operational risk weighted exposure is KD 15,768 thousand (31 March 2018: KD 16,915 thousand).

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