



Pillar III Disclosures

Basel III disclosure

Period Ended 30 June 2019

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

Basel III - Pillar III disclosures

For the period ended 30 June 2019

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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 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.

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:
 - ✚ 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 Shariah. Al Dawli Takaful Insurance Company KSCC ("KIB Takaful") (formerly known as Ritaj Takaful Insurance Company KSCC) and KIB Tier 1 Sukuk Limited are a consolidated subsidiaries consolidated subsidiary.

KIB owns 73.60% (30 June 2018: 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, 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.

As at 30 June 2019, Common Equity Tier 1 amounted to KD 263,877 thousand (30 June 2018: KD 252,082 thousand) and Additional Tier 1 amounted KD 91,437 thousand (30 June 2018, KD 384 thousand), Tier 2 amounted KD 21,568 thousand (30 June 2018: KD 18,556 thousand), the total eligible capital of the Group as of 30 June 2019 is KD 376,882 thousand (30 June 2018: KD 271,023 thousand).

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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:

Particulars	30 June 2019 KD' 000	30 June 2018 KD' 000
<i>Common Equity (CET 1)</i>		
Share capital	107,881	103,732
Share premium	49,480	49,480
Revaluation reserve	14,937	15,530
Fair Value reserve	17,600	15,664
Statutory Reserve	36,891	34,656
Voluntary Reserve	30,808	28,573
Treasury share reserve	4,846	4,846
Retained earnings	46,758	44,835
<i>Less:</i>		
Treasury shares	(45,234)	(45,234)
Dividends declared	-	-
Goodwill and other intangibles	-	-
Foreign currency translation reserve	(90)	-
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)	263,877	252,082
<i>AT (1)</i>		
<i>Additional Tier 1 instruments</i>	91,035	-
Eligible NCI in consolidated subsidiaries	402	384
Total Tier (1)	355,314	252,467
<i>Tier (2)</i>		
General provision (up to 1.25% of the total credit risk weighted assets)	21,494	18,486
Eligible NCI in consolidated subsidiaries	73	70
Total Tier (2)	21,568	18,556
Total eligible capital	376,882	271,023

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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):

Particulars	30 June 2019 (KD'000)		Ref.
	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	
<u>Asset</u>			
Cash	8,098	8,098	
Cash and bank balances at central banks	246,243	246,243	
Items in the course of collection from other banks and FIs	161,493	161,493	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	13,053	13,053	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	15,066	15,066	
Financing and advances to customers	1,720,977	1,720,977	
Financial assets at fair value through other comprehensive income	76,693	76,693	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	16,549	16,549	
Investment properties	58,380	58,380	
Investments in associates and joint ventures	1,527	1,527	
Goodwill and other intangible assets (a) + (b)	-	-	
- Goodwill	-	-	(a)
- Intangible assets	-	-	(b)
Property, plant and equipment	29,507	29,507	
<u>Total assets</u>	2,347,586	2,347,586	
<u>Liabilities</u>			
Deposits from banks and FIs	502,645	502,645	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,426,307	1,426,307	
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	45,722	45,722	
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)	4,852	4,852	
Retirement benefit liabilities	-	-	
<u>Total liabilities</u>	1,979,526	1,979,526	

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

30 June 2019
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<i>Equity</i>			
Share capital	107,881	107,881	(h)
Share premium	49,480	49,480	(i)
Treasury shares	(45,234)	(45,234)	(j)
Other reserves	161,356	161,356	
<i>Attributable to Bank's equity shareholders</i>	273,483	273,483	
Perpetual Tier 1 sukuk	91,035	91,035	
Non-controlling interests	3,542	475	(k)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	402	
- Tier (2)	-	73	
<i>Total equity</i>	368,060	364,993	
<i>Total liabilities and equity</i>	2,347,586	2,344,519	

30 June 2018
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<i>Asset</i>			
Cash	8,376	8,376	
Cash and bank balances at central banks	260,588	260,588	
Items in the course of collection from other banks and FIs	56,208	56,208	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	13,232	13,232	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	39,732	39,732	
Financing and advances to customers	1,521,220	1,521,220	
Financial assets available for sale	75,808	75,808	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	17,001	17,001	
Investment properties	60,238	60,238	
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	27,292	27,292	
<i>Total assets</i>	2,081,213	2,081,213	

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

30 June 2018
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<i><u>Liabilities</u></i>			
Deposits from banks and FIs	474,950	474,950	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,290,011	1,290,011	
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	43,281	43,281	
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)	5,549	5,549	
Retirement benefit liabilities	-	-	
<i><u>Total liabilities</u></i>	<i>1,813,791</i>	<i>1,813,791</i>	
<i><u>Equity</u></i>			
Share capital	103,732	103,732	(h)
Share premium	49,480	49,480	(i)
Treasury shares	(45,234)	(45,234)	(j)
Other reserves	156,071	156,071	
<i>Attributable to Bank's equity shareholders</i>	<i>264,049</i>	<i>264,049</i>	
Perpetual Tier 1 Sukuk	-	-	
Non-controlling interests	3,373	454	(k)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	384	
- Tier (2)	-	70	
<i>Total equity</i>	<i>267,422</i>	<i>264,503</i>	
<i>Total liabilities and equity</i>	<i>2,081,213</i>	<i>2,078,294</i>	

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Step 3:

30 June 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	(i)
3	Eligible NCI in consolidated subsidiaries	-	(k)
4	Revaluation reserve	14,937	
5	Fair Value reserve	17,600	
6	Statutory Reserve	36,891	
7	Voluntary Reserve	30,808	
8	Treasury share reserve	4,846	
9	Retained earnings	46,758	
10	<i>Common Equity Tier (1) capital before regulatory adjustments</i>	309,201	
11	Treasury shares	(45,234)	(j)
12	Prudential valuation adjustments	-	
13	Goodwill (net of related tax liability)	-	(a) - (c)
14	Intangible (net of related tax liability)	-	(b) - (d)
15	Foreign currency translation reserve	(90)	
	Total	263,877	

30 June 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	(i)
3	Eligible NCI in consolidated subsidiaries	-	(k)
4	Revaluation reserve	15,530	
5	Fair Value reserve	15,664	
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 (1) capital before regulatory adjustments</i>	297,316	
11	Treasury shares	(45,234)	(j)
12	Prudential valuation adjustments	-	
13	Goodwill (net of related tax liability)	-	(a) - (c)
14	Intangible (net of related tax liability)	-	(b) - (d)
15	Foreign currency translation reserve	-	
	Total	252,082	

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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
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	KIB (KW0EQ0100069)	ISIN: XS2005148072
3.	Governing laws of the instrument	Law No. 32/1968 and Law No. 1/ 2016	English Law
4.	Type of Capital (CET1, AT1 , T2)	CET1 (Share capital)	AT1
5.	Eligible at solo/group/group and solo	Group	Group and solo
6.	Instrument type	Equity	Subordinated Mudaraba Sukuk
7.	Amount recognised in regulatory capital	107,881	USD 300 Million
8.	Par value of instrument	100 fils	USD 100
9.	Accounting classification	Equity	Equity (AT1)
10.	Original date of issuance	13 May 1973 (Incorporation)	10-Jun-2019
11.	Perpetual or dated	Perpetual	Perpetual
12.	Original maturity date	N/A	Perpetual
13.	Issuer call subject to prior supervisory approval	N/A	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
15.	Subsequent call dates, if applicable	N/A	Semi- Annually after 10 June 2024
16.	Fixed or floating dividend/coupon	N/A	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
18.	Existence of a dividend stopper	N/A	Yes
19.	Fully discretionary, partially discretionary or mandatory	N/A	Fully discretionary
20.	Existence of step up or other incentive to redeem	N/A	No
21.	Noncumulative or cumulative	N/A	Noncumulative
22.	Convertible or non-convertible	N/A	Non-convertible
23.	If convertible, conversion trigger	N/A	NA
24.	If convertible, fully or partially	N/A	NA
25.	If convertible, conversion rate	N/A	NA
26.	If convertible, mandatory or optional conversion	N/A	NA
27.	If convertible, specify instrument type convertible into	N/A	NA
28.	If convertible, specify issuer of instrument it converts into	N/A	NA
29.	Write-down feature	N/A	Yes, in case of non-viability loss event
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 intervention to remain viable.
31.	If write-down, full or partial	N/A	Full or partial (On pro rata basis)
32.	If write-down, permanent or temporary	N/A	Permanent
33.	If temporary write-down, description of write-up mechanism	N/A	NA
34.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	Subordinated, senior only to ordinary shares
35.	Non-compliant transitioned features	N/A	None
36.	If yes, specify non-compliant features	N/A	NA

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Fourth: Capital Adequacy Ratio

At 30 June 2019 the total Capital Adequacy Ratio is 20.71% (30 June 2018: 17.08%) compared to the ratio required by regulatory authorities of 13% (30 June 2018: 13%), Tier 1 Capital of 19.53% (30 June 2018: 15.91%) and Tier 2 Capital of 1.19% (30 June 2018: 1.17%).

- 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 30 June 2019, the minimum capital requirement for the credit risk weighted exposure is KD 220,475 thousand (30 June 2018: KD 189,137 thousand), market risk weighted exposure is KD 318 thousand (30 June 2018: KD 218 thousand) and the operational risk weighted exposure is KD 15,768 thousand (30 June 2018: KD 16,915 thousand).

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