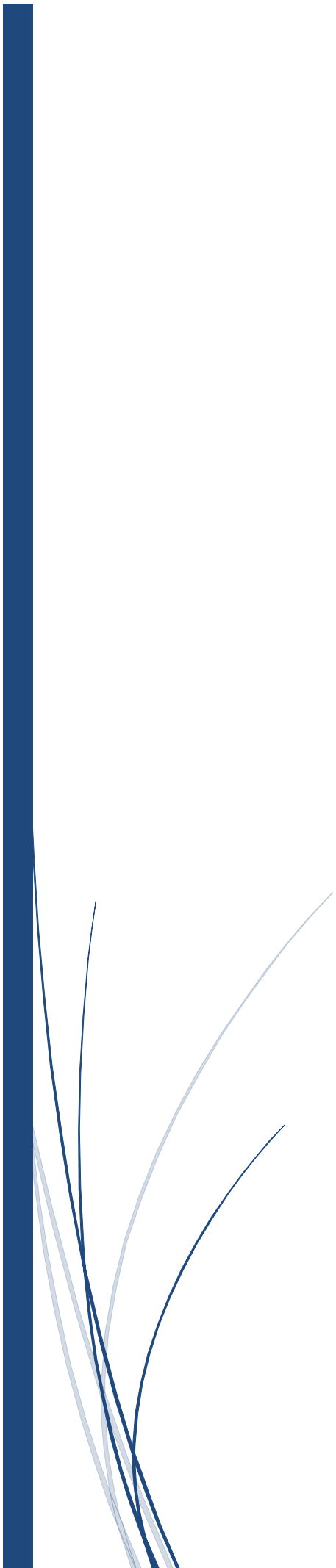




Pillar III Disclosures

Basel III disclosure

Period Ended 30 September 2019



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

Basel III - Pillar III disclosures

For the period ended 30 September 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 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 Shariah. Al Dawli Takaful Insurance Company KSCC ("KIB Takaful") (formerly known as Ritaj Takaful Insurance Company KSCC) is a consolidated subsidiary. KIB owns 73.60% (30 September 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 September 2019, Common Equity Tier 1 amounted to KD 264,031 thousand (30 September 2018: KD 252,145 thousand) and Additional Tier 1 amounted KD 91,436 thousand (30 September 2018, KD 388 thousand), Tier 2 amounted KD 22,483 thousand (30 September 2018: KD 19,075 thousand), the total eligible capital of the Group as of 30 September 2019 is KD 377,950 thousand (30 September 2018: KD 271,607 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 Sept 2019	30 Sept 2018
	(KD'000)	(KD'000)
	Amount	Amount
<u>Common Equity (CET 1)</u>		
Share capital	107,881	103,732
Share premium	49,480	49,480
Revaluation reserve	14,937	15,530
Fair Value reserve	17,844	15,726
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
<u>Less:</u>		
Treasury shares	45,234	45,234
Dividends declared	-	-
Goodwill and other intangibles	-	-
Foreign currency translation reserve	180	-
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)	264,031	252,145
<u>AT (1)</u>		
<i>Additional Tier 1 instruments</i>	91,035	-
Eligible NCI in consolidated subsidiaries	401	388
Total Tier (1)	355,467	252,532
<u>Tier (2)</u>		
General provision (up to 1.25% of the total credit risk weighted assets)	22,410	19,005
Eligible NCI in consolidated subsidiaries	73	70
Total Tier (2)	22,483	19,075
Total eligible capital	377,950	271,607

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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 Sept 2019 (KD'000)		Ref.
	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	
<u>Asset</u>			
Cash	11,265	11,265	
Cash and bank balances at central banks	195,284	195,284	
Items in the course of collection from other banks and FIs	231,684	231,684	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	12,970	12,970	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	6,072	6,072	
Financing and advances to customers	1,748,252	1,748,252	
Financial assets at fair value through other comprehensive income	120,681	120,681	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	15,393	15,393	
Investment properties	58,308	58,308	
Investments in associates and joint ventures	1,530	1,530	
Goodwill and other intangible assets (a) + (b)	-	-	
- Goodwill	-	-	(a)
- Intangible assets	-	-	(b)
Property, plant and equipment	29,893	29,893	
<u>Total assets</u>	2,431,332	2,431,332	
<u>Liabilities</u>			
Deposits from banks and FIs	640,440	640,440	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,376,888	1,376,888	
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	37,406	37,406	
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)	4,838	4,838	
Retirement benefit liabilities	-	-	
<u>Total liabilities</u>	2,059,572	2,059,572	

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For the period ended 30 September 2019

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

30 Sept 2019
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<u>Equity</u>			
Share capital	107,881	107,881	(h)
Share premium	49,480	49,480	(i)
Treasury shares	(45,234)	(45,234)	(j)
Other reserves	165,063	165,063	
Attributable to Bank's equity shareholders	277,190	277,190	
Perpetual Tier 1 sukuk	91,035	91,035	
Non-controlling interests	3,535	474	(k)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	401	
- Tier (2)	-	73	
Total equity	371,760	368,699	
Total liabilities and equity	2,431,332	2,428,271	

30 Sept 2018
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<u>Asset</u>			
Cash	7,659	7,659	
Cash and bank balances at central banks	259,665	259,665	
Items in the course of collection from other banks and FIs	56,025	56,025	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	13,635	13,635	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	39,259	39,259	
Financing and advances to customers	1,543,094	1,543,094	
Financial assets at fair value through other comprehensive income	54,784	54,784	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	14,888	14,888	
Investment properties	60,161	60,161	
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	27,235	27,235	
Total assets	2,077,923	2,077,923	

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

30 Sept 2018
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<i>Liabilities</i>			
Deposits from banks and FIs	447,850	447,850	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,304,288	1,304,288	
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	54,756	54,756	
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)	-	-	
Retirement benefit liabilities	-	-	
<i>Total liabilities</i>	1,806,894	1,806,894	
<i>Equity</i>			
Share capital	103,732	103,732	(h)
Share premium	49,480	49,480	(i)
Treasury shares	(45,234)	(45,234)	(j)
Other reserves	159,646	159,646	
<i>Attributable to Bank's equity shareholders</i>	267,624	267,624	
Perpetual Tier 1 Sukuk	-	-	
Non-controlling interests	3,405	458	(k)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	388	
- Tier (2)	-	70	
<i>Total equity</i>	271,029	268,082	
<i>Total liabilities and equity</i>	2,077,923	2,074,976	

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

Basel III - Pillar III disclosures

For the period ended 30 September 2019

Step 3:

30 Sept 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	17,844	
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>	309,445	
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)
	Total	264,031	

30 Sept 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	15,726	
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>	297,379	
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)
	Total	252,145	

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

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For the period ended 30 September 2019

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 September 2019 the total Capital Adequacy Ratio is 19.96% (30 September 2018: 16.68%) compared to the ratio required by regulatory authorities of 13% (30 September 2018: 13%), Tier 1 Capital of 18.77% (30 September 2018: 15.51%) and Tier 2 Capital of 1.19% (30 September 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 September 2019, the minimum capital requirement for the credit risk weighted exposure is KD 230,067 thousand (30 September 2018: KD 194,573 thousand), market risk weighted exposure is KD 307 thousand (30 September 2018: KD 178 thousand) and the operational risk weighted exposure is KD 15,768 thousand (30 September 2018: KD 16,915 thousand).

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