



Pillar III Disclosures

Basel III disclosure

Year Ended 31 December 2018

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

Basel III - Pillar III disclosures

For the year ended 31 December 2018

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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 Shariaa. Ritaj Takaful Insurance Company K.S.C.C. is a consolidated subsidiary.

KIB owns 73.60% (31 December 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 December 2018, Common Equity Tier 1 amounted to KD 262,919 thousand (31 December 2017: KD 251,230 thousand) and Additional Tier 1 amounted KD 387 thousand (31 December 2017, KD 385 thousand), Tier 2 amounted KD 20,144 thousand (31 December 2017: KD 16,305 thousand), the total eligible capital of the Group as of 31 December 2018 is KD 283,450 thousand (31 December 2017: KD 267,920 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	(KD'000)	
	31 December 2018	31 December 2017
<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	15,763	14,077
Statutory Reserve	36,891	34,656
Voluntary Reserve	30,808	28,573
Treasury share reserve	4,846	4,846
Retained earnings	*57,818	54,907
<u>Less:</u>		
Treasury shares	(45,234)	(45,234)
Dividends declared	(10,271)	(9,337)
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	-	-
Total Common Equity Tier (1)	262,919	251,230
<u>AT (1)</u>		
Eligible NCI in consolidated subsidiaries	387	385
Total Tier (1)	263,306	251,615
<u>Tier (2)</u>		
General provision (up to 1.25% of the total credit risk weighted assets)	20,073	16,235
Eligible NCI in consolidated subsidiaries	71	70
Total Tier (2)	20,144	16,305
Total eligible capital	283,450	267,920

*After proposed bonus shares 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):

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	2018 (KD'000)	
				Ref.
<u>Asset</u>				
Cash	6,963	6,963		
Cash and bank balances at central banks	255,799	255,799		
Items in the course of collection from other banks and FIs	55,203	55,203		
Trading portfolio assets	-	-		
Financial assets at fair value through statement of income	12,626	12,626		
Shariaà compliant hedging contracts	-	-		
Financing and advances to banks	39,293	39,293		
Financing and advances to customers	1,605,833	1,605,833		
Financial assets at fair value through other comprehensive income	93,349	93,349		
Current and deferred tax assets	-	-		
Prepayments, accrued income and other assets	10,987	10,987		
Investment properties	58,523	58,523		
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	28,501	28,501		
<u>Total assets</u>	2,168,595	2,168,595		
<u>Liabilities</u>				
Deposits from banks and FIs	517,537	517,537		
Items in the course of collection due to other banks	-	-		
Customer accounts	1,318,535	1,318,535		
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	50,908	50,908		
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)	5,011	5,011		
Retirement benefit liabilities	-	-		
<u>Total liabilities</u>	1,891,991	1,891,991		

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

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	165,212	165,212	
<i>Attributable to Bank's equity shareholders</i>	273,190	273,190	
Non-controlling interests	3,414	458	(j)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	387	
- Tier (2)	-	71	
<i>Total equity</i>	276,604	273,648	
<i>Total liabilities and equity</i>	2,168,595	2,165,639	

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Step (1) and (2):

2017
(KD'000)

Particulars	Consolidated Statement of Financial Position as per published financial statements	Under regulatory scope of consolidation	Ref.
<i>Asset</i>			
Cash	6,797	6,797	
Cash and bank balances at central banks	316,455	316,455	
Items in the course of collection from other banks and FIs	82,379	82,379	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	62	62	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	16,721	16,721	
Financing and advances to customers	1,304,416	1,304,416	
Financial assets available for sale	83,778	83,778	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	17,298	17,298	
Investment properties	60,391	60,391	
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	26,225	26,225	
<i>Total assets</i>	1,916,040	1,916,040	
<i>Liabilities</i>			
Deposits from banks and FIs	394,438	394,438	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,203,213	1,203,213	
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	48,566	48,566	
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)	5,932	5,932	
Retirement benefit liabilities	-	-	
<i>Total liabilities</i>	1,652,149	1,652,149	

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

2017
(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	152,589	152,589	
<i>Attributable to Bank's equity shareholders</i>	260,567	260,567	
Non-controlling interests	3,324	455	(j)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	385	
- Tier (2)	-	70	
<i>Total equity</i>	263,891	261,022	
<i>Total liabilities and equity</i>	1,916,040	1,913,171	

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Step 3:

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	*107,881	(h)
2	Share premium	49,480	
3	Eligible NCI in consolidated subsidiaries		(j)
4	Revaluation reserve	14,937	
5	Fair Value reserve	15,763	
6	Statutory Reserve	36,891	
7	Voluntary Reserve	30,808	
8	Treasury share reserve	4,846	
9	Retained earnings	*57,818	
10	<i>Common Equity Tier (1) capital before regulatory adjustments</i>	318,424	
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	-	
	Total	318,424	

*After proposed bonus shares adjustment

2017
(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	14,077	
6	Statutory Reserve	34,656	
7	Voluntary Reserve	28,573	
8	Treasury share reserve	4,846	
9	Retained earnings	54,907	
10	<i>Common Equity Tier (1) capital before regulatory adjustments</i>	305,801	
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	-	
	Total	305,801	

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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.
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	KIB (KW0EQ0100069)
3.	Governing laws of the instrument	Law No. 32/1968 and 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	103,732
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

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Fourth: Capital Adequacy Ratio

At 31 December 2018 the total Capital Adequacy Ratio is 16.63% (31 December 2017: 19.05%) compared to the ratio required by regulatory authorities of 13% (31 December 2017: 13 %), Tier 1 Capital of 15.45% (31 December 2017:17.89%) and Tier 2 Capital of 1.18% (31 December 2017: 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 December 2018, the minimum capital requirement for the credit risk weighted exposure is KD 205,605 thousand (31 December 2017: KD 165,744 thousand), market risk weighted exposure is KD 175 thousand (31 December 2017: KD 164 thousand) and the operational risk weighted exposure is KD 15,768 thousand (31 December 2017: KD 16,915 thousand).

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