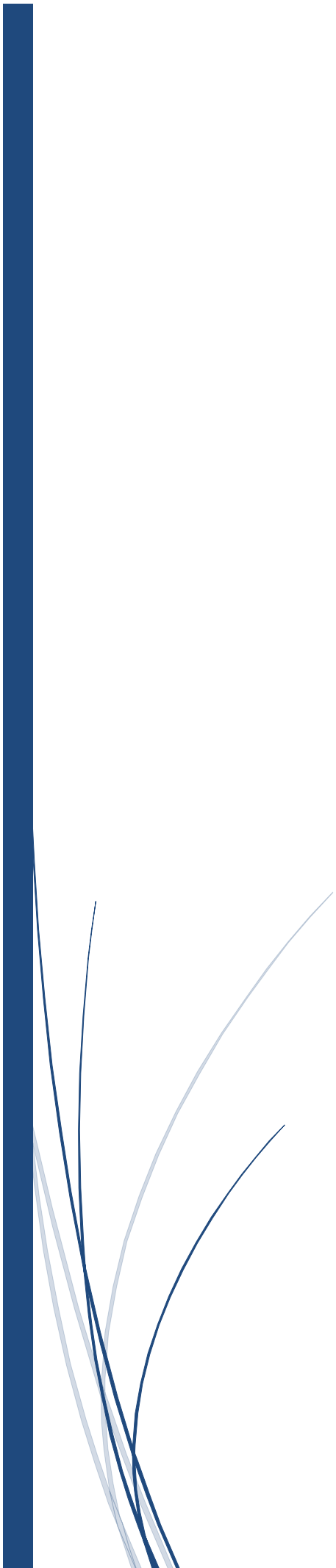




Pillar III Disclosures

Basel III disclosure

Year Ended 31 December 2019



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

Basel III - Pillar III disclosures

For the year ended 31 December 2019

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For the year ended 31 December 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 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:
 - 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% (31 December 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.

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For the year ended 31 December 2019

Particulars	2019	2018
	(KD'000)	(KD'000)
	Amount	Amount
<u>Common Equity (CET 1)</u>		
Share capital	113,275	107,881
of which: proposed bonus shares	5,394	4,149
Share premium	49,480	49,480
Revaluation reserve	14,581	14,937
Fair Value reserve	19,782	15,763
Statutory Reserve	38,736	36,891
Voluntary Reserve	32,653	30,808
Treasury share reserve	4,846	4,846
Retained earnings	52,791	57,818
<u>Less:</u>		
Treasury shares	(45,234)	(45,234)
Proposed Dividends	(6,797)	(10,271)
Goodwill and other intangibles	-	-
Foreign currency translation reserve	(120)	-
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)	273,993	262,919
<u>AT (1)</u>		
Additional Tier 1 instruments	91,035	-
Eligible NCI in consolidated subsidiaries	407	387
Total Tier (1)	365,435	263,306
<u>Tier (2)</u>		
General provision (up to 1.25% of the total credit risk weighted assets)	24,014	20,073
Eligible NCI in consolidated subsidiaries	74	71
Total Tier (2)	24,088	20,144
Total eligible capital	389,523	283,450

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Basel III - Pillar III disclosures

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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:

		2019 (KD'000)	2018 (KD'000)
Common Equity Tier 1 capital: instruments and reserves		Amount	Amount
1	Directly issued qualifying common share capital plus related stock surplus	162,755	157,361
2	Retained earnings	45,994	47,547
3	Accumulated other comprehensive income (and other reserves)	110,478	103,245
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	319,227	308,153
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	-	-
28	Total regulatory adjustments to Common equity Tier 1	-	-
29	Common Equity Tier 1 capital (CET1)	273,993	262,919

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Basel III - Pillar III disclosures

For the year ended 31 December 2019

Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	91,035	-
31	of which: classified as equity under applicable accounting standards	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)	407	387
35	of which: instruments issued by subsidiaries subject to phase-out	-	-
36	Additional Tier 1 capital before regulatory adjustments	91,442	387
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
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)	91,442	387
45	Tier 1 capital (T1 = CET1 + AT1)	365,435	263,306
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
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)	74	71
49	of which: instruments issued by subsidiaries subject to phase-out	-	-
50	General provisions included in Tier 2 capital	24,014	20,073
51	Tier 2 capital before regulatory adjustments	24,088	20,144
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)	-	-
56	National specific regulatory adjustments	-	-
57	Total regulatory adjustments to Tier 2 capital	-	-

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Basel III - Pillar III disclosures

For the year ended 31 December 2019

58	Tier 2 capital (T2)	24,088	20,144
59	Total capital (TC = T1 + T2)	389,523	283,450
60	Total risk weighted assets (after applying 50% additional weighting)	2,025,009	1,704,218
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.53%	15.43%
62	Tier 1 (as a percentage of risk weighted assets)	18.05%	15.45%
63	Total capital (as a percentage of risk weighted assets)	19.24%	16.63%
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)	9.50%	9.50%
65	of which: capital conservation buffer requirement	2.50%	2.50%
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)	6.53%	8.43%
National minima			
69	National Common Equity Tier 1 minimum ratio	9.50%	9.50%
70	National Tier 1 minimum ratio	11.00%	11.00%
71	National total capital minimum ratio excluding CCY and DSIB	13.00%	13.00%
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)	46,836	44,351
77	Cap on inclusion of provisions in Tier 2 under standardized approach	24,014	20,073
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	-	-

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

Basel III - Pillar III disclosures

For the year ended 31 December 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):

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	2019
			(KD'000)
			Ref.
<u>Asset</u>			
Cash	12,671	12,671	
Cash and bank balances at central banks	184,906	184,906	
Items in the course of collection from other banks and FIs	326,030	326,030	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	13,149	13,149	
Shariaà compliant hedging contracts	-	-	
Financing and advances to banks	12,082	12,082	
Financing and advances to customers	1,865,618	1,865,618	
of which general provisions (netted above) capped for Tier 2 inclusion	24,014	24,014	(a)
Financial assets at fair value through other comprehensive income	166,737	166,737	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	15,611	15,611	
Investment properties	58,236	58,236	
Investments in associates and joint ventures	1,538	1,538	
Goodwill and other intangible assets (a) + (b)	-	-	
- Goodwill	-	-	
- Intangible assets	-	-	
Property, plant and equipment	31,043	31,043	
<u>Total assets</u>	2,687,621	2,687,621	
<u>Liabilities</u>			
Deposits from banks and FIs	795,126	795,126	
Items in the course of collection due to other banks	-	-	
Customer accounts	1,469,574	1,469,574	
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	42,594	42,594	
Current and deferred tax liabilities (c) + (d)	-	-	
- Deferred tax liabilities related to goodwill	-	-	
- Deferred tax liabilities related to intangible assets	-	-	
Provisions (non-cash)	4,912	4,912	
Retirement benefit liabilities	-	-	
<u>Total liabilities</u>	2,312,206	2,312,206	

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

Basel III - Pillar III disclosures

For the year ended 31 December 2019

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

2019
(KD'000)

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
<i>Equity</i>			
Share capital	107,881	107,881	(b)
Share premium	49,480	49,480	(c)
Proposed Bonus share	5,394	5,394	(p)
Treasury shares	(45,234)	(45,234)	(d)
Revaluation reserve	14,581	14,581	(e)
Fair Value reserve	19,782	19,782	(f)
Statutory Reserve	38,736	38,736	(g)
Voluntary Reserve	32,653	32,653	(h)
Treasury share reserve	4,846	4,846	(i)
Retained earnings	52,791	52,791	(j)
of which: proposed dividends	(6,797)	(6,797)	(k)
Foreign currency translation reserve	(120)	(120)	(l)
<i>Attributable to Bank's equity shareholders</i>	280,790	280,790	
Perpetual Tier 1 sukuk	91,035	91,035	(m)
Non-controlling interests	3,590	481	
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	407	(n)
- Tier (2)	-	74	(o)
<i>Total equity</i>	375,415	372,306	
<i>Total liabilities and equity</i>	2,687,621	2,684,512	

2018
(KD'000)

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
<i>Asset</i>			
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	
of which general provisions (netted above) capped for Tier 2 inclusion	20,073	20,073	(a)
Financial assets available for sale	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	-	-	
- Intangible assets	-	-	
Property, plant and equipment	28,501	28,501	
<i>Total assets</i>	2,168,595	2,168,595	

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Basel III - Pillar III disclosures

For the year ended 31 December 2019

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

2018
(KD'000)

Item	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref.
<i>Liabilities</i>			
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	-	-	
- Deferred tax liabilities related to intangible assets	-	-	
Provisions (non-cash)	5,011	5,011	
Retirement benefit liabilities	-	-	
<i>Total liabilities</i>	1,891,991	1,891,991	
<i>Equity</i>			
Share capital	103,732	103,732	(b)
Share premium	49,480	49,480	(c)
Proposed Bonus share	4,149	4,149	(p)
Treasury shares	(45,234)	(45,234)	(d)
Revaluation reserve	14,937	14,937	(e)
Fair Value reserve	15,763	15,763	(f)
Statutory Reserve	36,891	36,891	(g)
Voluntary Reserve	30,808	30,808	(h)
Treasury share reserve	4,846	4,846	(i)
Retained earnings	57,818	57,818	(j)
of which: proposed dividends	(10,271)	(10,271)	(k)
Foreign currency translation reserve	-	-	(l)
<i>Attributable to Bank's equity shareholders</i>	273,190	273,190	
Perpetual Tier 1 Sukuk	-	-	(m)
Non-controlling interests	3,414	458	
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	387	(n)
- Tier (2)	-	71	(o)
<i>Total equity</i>	276,604	273,648	
<i>Total liabilities and equity</i>	2,168,595	2,165,639	

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

Basel III - Pillar III disclosures

For the year ended 31 December 2019

Step 3:

2019
(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)+(p)
2	Retained earnings	45,994	(j) + (k)
3	Accumulated other comprehensive income (and other reserves)	110,478	(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	319,227	
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	Common Equity Tier 1 capital (CET1)	273,993	
Additional Tier 1 capital: instruments			
8	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	91,035	(m)
9	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)	407	(n)
10	Additional Tier 1 capital (AT1)	91,442	
11	Tier 1 capital (T1)	365,435	
Tier 2 capital: instruments and provisions			
12	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)	74	(o)
13	General provisions included in Tier 2 capital	24,014	(a)
14	Tier 2 capital (T2)	24,088	
15	Total capital (T1+T2)	389,523	

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Basel III - Pillar III disclosures

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2018
(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	157,361	(b)+(c)+(p)
2	Retained earnings	47,547	(j) + (k)
3	Accumulated other comprehensive income (and other reserves)	103,245	(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	308,153	
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	Common Equity Tier 1 capital (CET1)	262,919	
Additional Tier 1 capital: instruments			
8	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	(m)
9	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)	387	(n)
10	Additional Tier 1 capital (AT1)	387	
11	Tier 1 capital (T1)	263,306	
Tier 2 capital: instruments and provisions			
12	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)	71	(o)
13	General provisions included in Tier 2 capital	20,073	(a)
14	Tier 2 capital (T2)	20,144	
15	Total capital (T1+T2)	283,450	

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

Basel III - Pillar III disclosures

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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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Basel III - Pillar III disclosures

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Fourth: Capital Adequacy Ratio

At 31 December 2019 the total Capital Adequacy Ratio is 19.24% (31 December 2018: 16.63%) compared to the ratio required by regulatory authorities of 13% (31 December 2018: 13%), Tier 1 Capital of 18.05% (31 December 2018: 15.45%) and Tier 2 Capital of 1.19% (31 December 2018: 1.18%).

- 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 2019, the minimum capital requirement for the credit risk weighted exposure is KD 246,781 thousand (31 December 2018: KD 205,605 thousand), market risk weighted exposure is KD 269 thousand (31 December 2018: KD 175 thousand) and the operational risk weighted exposure is KD 16,201 thousand (31 December 2018: KD 15,768 thousand).

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