

Kuwait International Bank K.S.C.P. and Its Subsidiary
Basel III Pillar III disclosures
For the period ended 30 June 2015

Qualitative and quantitative disclosures related to Capital Adequacy Standard under Basel III have been prepared in accordance with the Central Bank of Kuwait (CBK) instructions and regulations issued as per their circular 2/RB,RBA/336/2014 dated 24 June 2014. General disclosures related to Capital Adequacy Standard under Basel III rely on calculating the minimum capital required covering credit and market risks using the Standardized Approach and the minimum capital required to cover operational risk using the Basic Indicator Approach.

First: Group Structure

The Group is engaged in providing Islamic banking, finance and investment services that comply with Islamic Shari'a. Ritaj Takaful Insurance Company K.S.C.C. (the "Subsidiary") is fully consolidated into the Bank's financial statements.

The subsidiary is a 73.60% (2014: 73.60%) owned Islamic insurance company registered in Kuwait. Its main activities include 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, reserves, non-controlling interest minus the treasury shares and dividends declared. Additional tier (1) capital includes additional paid in capital and non-controlling interest. Tier (2) consists of non-controlling interest and general provision up to 1.25% of the total credit risk weighted assets according to rules and regulations.

The Group does not have structured or complex equity instruments which are prohibited by Islamic Shari'a principles.

As at 30th of June 2015, Common Equity Tier (1) amounted to KD 229,077 thousand and Additional Tier (1) "AT1" amounted KD 370 thousand collectively known as "Core Capital", Tier (2) "Supplementary Capital" amounted KD 11,570 thousand, the total eligible capital of the Group as of 30 June 2015 is KD 241,017 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), AT (1) and Tier (2) is as follows:

June 2015
 KD 000'

| Particular | Amounts |
|--|----------------|
| <u>Common Equity (CET 1)</u> | |
| Share capital | 103,732 |
| Share premium | 49,480 |
| Revaluation reserve | 16,588 |
| Fair Value reserve | 17,525 |
| Statutory Reserve | 29,081 |
| Voluntary Reserve | 22,998 |
| Treasury share reserve | 4,846 |
| Retained earnings | 30,061 |
| <u>Less:</u> | |
| Treasury shares | 45,234 |
| Dividends declared | - |
| Goodwill | - |
| Other intangibles | - |
| Investments in Financial Institutions 's with an ownership of less than 10% and above the threshold | - |
| Investments in Financial Institution's with an ownership of more than 10% and above the threshold | - |
| Total Common Equity Tier (1) | 229,077 |
| <u>AT (1)</u> | |
| Eligible non-controlling interest in consolidated subsidiaries | 370 |
| <u>Total Tier (1)</u> | 229,447 |
| <u>Tier (2)</u> | |
| General provision (up to 1.25% of the total credit risk weighted assets) | 11,499 |
| Eligible non-controlling interest in consolidated subsidiaries | 71 |
| Total Tier (2) | 11,570 |
| Total available capital | 241,017 |

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2. *Reconciliation Requirement*

The Group has applied the three step approach for the reconciliation between the Statement of Financial Position items and the regulatory capital elements as outlined in the regulations as follows:

Step (1) and (2):

| Particular | June 2015 KD 000' | | Ref. |
|---|--|--|------|
| | Statement of Financial Position as per published financial statement | Under regulatory scope of consolidation | |
| <u>Asset</u> | | | |
| Cash | 11,524 | 11,524 | |
| Cash and bank balances at central banks | 333,606 | 333,606 | |
| Items in the course of collection from other banks and financial institution | 78,954 | 78,954 | |
| Trading portfolio assets | - | - | |
| Financial assets at fair value through statement of income | 91 | 91 | |
| Shari'a Complaint hedging contracts | - | - | |
| Financing and advances to banks | 21,250 | 21,250 | |
| Financing and advances to customers | 1,101,277 | 1,101,277 | |
| Financial assets available for sale | 65,499 | 65,499 | |
| Current and deferred tax assets | - | - | |
| Prepayments, accrued income and other assets | 9,785 | 9,785 | |
| Investment properties | 35,831 | 35,831 | |
| Investments in associates and joint ventures | 3,935 | 3,935 | |
| Goodwill and other intangible assets (a) + (b) | - | - | |
| - Goodwill | - | - | (a) |
| - Intangible assets | - | - | (b) |
| Property, plant and equipment | 25,276 | 25,276 | |
| <u>Total assets</u> | 1,687,028 | 1,687,028 | |
| <u>Liabilities</u> | | | |
| Deposits from banks and financial institution | 419,170 | 419,170 | |
| Items in the course of collection due to other banks | - | - | |
| Customer accounts | 990,225 | 990,225 | |
| Trading portfolio liabilities | - | - | |
| Financial liabilities at fair value through statement of income | - | - | |
| Shari'a Complaint hedging contracts | - | - | |
| Financing securities (Sukuk) | - | - | |
| Accruals, deferred income and other liabilities | 30,253 | 30,253 | |
| 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) | 4,722 | 4,722 | |
| Retirement benefit liabilities | - | - | |
| <u>Total liabilities</u> | 1,444,370 | 1,444,370 | |

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

| Particular | Statement of Financial Position as per published financial statement | June 2015 KD 000' | |
|--|--|---|------|
| | | Under regulatory scope of consolidation | Ref. |
| <u>Equity</u> | | | |
| 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 | 131,534 | 131,534 | |
| <i>Attributable to Bank's equity shareholders</i> | 239,512 | 239,512 | |
| Non-controlling interests | 3,146 | 441 | (j) |
| - Common Equity Tier (1) | - | - | |
| - Additional Tier (1) | - | 370 | |
| - Tier (2) | - | 71 | |
| <i>Total equity</i> | 242,658 | 239,953 | |
| <i>Total liabilities and equity</i> | 1,687,028 | 1,684,323 | |

Step 3:

| Serial No. | Common Equity (CET 1) | Component of regulatory capital reported by the Group | June 2015 KD 000' | |
|------------|--|---|--|--|
| | | | 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 non-controlling interest in consolidated subsidiaries | 370 | (j) | |
| 4 | Revaluation reserve | 16,588 | | |
| 5 | Fair Value reserve | 17,525 | | |
| 6 | Statutory Reserve | 29,081 | | |
| 7 | Voluntary Reserve | 22,998 | | |
| 8 | Treasury share reserve | 4,846 | | |
| 9 | Retained earnings | 30,061 | | |
| 10 | <i>Common Equity Tier (1) capital before regulatory adjustments</i> | 274,681 | | |
| 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 | 274,681 | | |

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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 |
| 3. | Governing laws of the instrument | Law No. 32/1968 and Com Law No. 25/2012 |
| 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 30th of June 2015 the total Capital Adequacy Ratio is 24.12% compared to the ratio required by regulatory authorities of 12.5%, Tier (1) Capital of 22.97% and Tier (2) Capital of 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 is derived from dividing the core capital (CET (1) + AT 1) by the total risk weighted exposure.
- The percentage of the Tier (2) Capital is derived from dividing the supplemental capital (Tier 2) by the total risk weighted exposure.

At 30th of June 2015, the minimum capital requirement for the credit risk weighted exposure is KD 111,713 thousand, market risk weighted exposure is KD 663 thousand and the operational risk weighted exposure is KD 12,509 thousand.

The Group ensures the fulfillment of Central Bank of Kuwait requirements in relation to capital adequacy through monitoring the internal limits.