

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 31st of March 2015, Common Equity Tier (1) amounted to KD 229,057 thousand and Additional Tier (1) "AT1" amounted KD 374 thousand collectively known as "Core Capital", Tier (2) "Supplementary Capital" amounted KD 11,013 thousand, the total eligible capital of the Group as of 31st March 2015 is KD 240,444 thousand.

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:

31st March 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	17,505
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	-

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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)	229,057
<u>AT (1)</u>	
Eligible non-controlling interest in consolidated subsidiaries	374
<u>Total Tier (1)</u>	229,431
<u>Tier (2)</u>	
General provision (up to 1.25% of the total credit risk weighted assets)	10,942
Eligible non-controlling interest in consolidated subsidiaries	71
Total Tier (2)	11,013
Total available capital	240,444

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):

31st March 2015
 KD 000'

Particular	Statement of Financial Position as per published financial statement	Under regulatory scope of consolidation	Ref.
<u>Asset</u>			
Cash	6,030	6,030	
Cash and bank balances at central banks	347,780	347,780	
Items in the course of collection from other banks and financial institution	61,938	61,938	
Trading portfolio assets	-	-	
Financial assets at fair value through statement of income	94	94	
Shari'a Complaint hedging contracts	-	-	
Financing and advances to banks	16,868	16,868	
Financing and advances to customers	1,087,747	1,087,747	
Financial assets available for sale	65,500	65,500	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	8,878	8,878	
Investment properties	42,120	42,120	
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	24,949	24,949	
<u>Total assets</u>	1,665,839	1,665,839	

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Liabilities			
Deposits from banks and financial institution	405,311	405,311	
Items in the course of collection due to other banks	-	-	
Customer accounts	979,585	979,585	
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	39,418	39,418	
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)	3,544	3,544	
Retirement benefit liabilities	-	-	
Total liabilities	1,427,858	1,427,858	
Equity			
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	126,864	126,864	
Attributable to Bank's equity shareholders	234,842	234,842	
Non-controlling interests	3,139	445	(j)
- Common Equity Tier (1)	-	-	
- Additional Tier (1)	-	374	
- Tier (2)	-	71	
Total equity	237,981	235,287	
Total liabilities and equity	1,665,839	1,663,145	

Step 3:

31st March 2015
 KD 000'

Serial No.	Common Equity (CET 1)	Component 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 non-controlling interest in consolidated subsidiaries	374	(j)
4	Revaluation reserve	16,588	
5	Fair Value reserve	17,505	
6	Statutory Reserve	29,081	
7	Voluntary Reserve	22,998	
8	Treasury share reserve	4,846	
9	Retained earnings	30,061	
10	Common Equity Tier (1) capital before regulatory adjustments	274,665	
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	274,665	

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

Fourth: Capital Adequacy Ratio

At 31st of March 2015 the total Capital Adequacy Ratio is 25.18% compared to the ratio required by regulatory authorities of 12.5%, Tier (1) Capital of 24.03%, CET (1) Capital of 23.99% and Tier (2) Capital of 1.15%.

- 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 CET (1) Capital is derived from dividing the Common Equity Tier 1 (CET (1)) Capital 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 31st of March 2015, the minimum capital requirement for the credit risk weighted exposure is KD 106,459 thousand, market risk weighted exposure is KD 371 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.