

CAPITAL STRUCTURE

The capital structure of the Bank Group consists of Common Equity Tier I capital (paid-up equity capital and reserves including fair value reserves) and Tier II capital, which includes general provision (subject to maximum of 1.25% of total credit risk weighted assets). There are no Additional Tier 1 capitals in the capital structure of the Bank.

Capital Structure as at 31st March 2020	(KD'000s)
Paid-up share capital/common stock	161,917
Reserves	445,382
Less:	
Treasury Shares	(5,135)
Other Intangibles (except Mortgage Servicing Rights)	(15,318)
Defined benefit pension fund liabilities	(209)
Common Equity Tier I	586,636
Additional Tier I	90,750
General provisions (subject to maximum of 1.25% of total credit risk weighted assets)	45,537
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Tier II	45,537
Total eligible capital after deductions	722,923

Composition Analysis

The composition of capital in terms of Tiers I, and Tier II is analysed to ensure capital stability and to reduce volatility in the capital structure.

Capital adequacy as at 31st March 2020	Required Capital (KD'000s)
1. Claims on sovereigns	9,678
2. Claims on public sector entities (PSEs)	16,013
3. Claims on banks	30,489
4. Claims on corporate	264,337
5. Regulatory retail exposures	83,690
6. Past due exposures	12,461
7. Other exposures	56,913
Total	473,581
Less: General provision in excess of 1.25% risk weighted assets	(21,448)
Net credit risk weighted exposure	452,133
Market risk exposure	4,332
Operational risk exposure	39,229
Grand Total	495,695
Capital Adequacy Ratios:	
Tier I	17.77%
CET 1	15.39%
Total	18.96%

Additional capital disclosures required by Basel III regulations are shown below.

Common Disclosure as at 31st March 2020	Component of Regulatory Capital reported by bank <i>(KD'000s)</i>	Reference of Balance Sheet under the Regulatory Scope of Consolidation
Common Equity Tier 1 capital: Instruments and Reserves		
Directly issued common share capital plus related stock surplus	270,814	c + d
Retained earnings	151,656	f
Accumulated other comprehensive income (and other reserves)	184,407	
Directly issued capital subject to phase out from CET 1 (only applicable to non – joint stock companies)	-	
Common share capital issued by subsidiaries and held by third parties (minority interest)	421	
Common Equity Tier 1 capital before regulatory adjustments	607,299	
Common Equity Tier 1 Capital: Regulatory Adjustments		
Prudential valuation adjustments	-	
Dividends	-	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage- servicing rights (net of related tax liability)	(15,318)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	
Cash- flow hedge reserve	-	
Shortfall of provisions to expected losses	-	
Securitization gain on sale	-	
Gain and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	(209)	
Proposed Dividend	-	
Investments in own shares(if not already netted off paid-in capital on reported balance sheet)	(5,135)	e

Common Disclosure as at 31st March 2020	Component of Regulatory Capital reported by bank <i>(KD'000s)</i>	Reference of Balance Sheet under the Regulatory Scope of Consolidation
Reciprocal cross- holdings in common equity of banks, FIs, and insurance entities	-	
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 CET 1 capital)	-	
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 CET 1 capital)	-	
Mortgage servicing rights (amount above 10% threshold of bank's CET 1 capital)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding the 15% threshold	-	
of which : significant investments in the common stock of financials	-	
of which : mortgage servicing rights	-	
of which : deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
Total regulatory adjustments to Common Equity Tier 1	(20,662)	
Common Equity Tier 1 capital (CET 1) after regulatory adjustments	586,636	
Additional Tier 1 capital : Instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
of which : classified as equity under applicable accounting standards	-	
of which : classified as liabilities under applicable accounting standards	-	
Directly issued capital instruments subject to phase out from Additional Tier 1	90,750	
Additional Tier 1 instruments issued by subsidiaries and held by third parties	-	

Common Disclosure as at 31st March 2020	Component of Regulatory Capital reported by bank <i>(KD'000s)</i>	Reference of Balance Sheet under the Regulatory Scope of Consolidation
of which : instruments issued by subsidiaries subject to phase-out	-	
Additional Tier 1 capital before regulatory adjustments	90,750	
Additional Tier 1 Capital : Regulatory Adjustments		
Investments in own Additional Tier 1 instruments	-	
Reciprocal cross-holdings in Additional Tier 1 instruments	-	
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	-	
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
National specific regulatory adjustments	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Total regulatory adjustments to Additional Tier 1 capital	-	
Additional Tier 1 capital (AT1)	90,750	
Tier 1 capital (T1 = CET1 + AT1)	677,386	
Tier 2 Capital: Instruments and Provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
Directly issued capital instruments subject to phase-out from Tier 2	-	
Tier 2 instruments issued by subsidiaries and held by third parties	-	
of which : instruments issued by subsidiaries subject to phase-out	-	
General Provisions included in Tier 2 capital	45,537	
Tier 2 capital before regulatory adjustments	45,537	
Tier 2 Capital : Regulatory Adjustments		
Investments in own Tier 2 instruments	-	

Common Disclosure as at 31st March 2020	Component of Regulatory Capital reported by bank <i>(KD'000s)</i>	Reference of Balance Sheet under the Regulatory Scope of Consolidation
Reciprocal cross-holdings in Tier 2 instruments	-	
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	-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
National specific regulatory adjustments	-	
Total regulatory adjustments to Tier 2 capital	-	
Tier 2 capital (T2)	45,537	
Total capital (TC = T1 + T2)	722,923	
Total risk weighted assets	3,813,031	
Capital Ratios and Buffers		
Common Equity Tier 1 (as a percentage of risk weighted assets)	15.39%	
Tier 1 (as a percentage of risk weighted assets)	17.77%	
Total capital (as a percentage of risk weighted assets)	18.96%	
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)	13.0%	
of which : capital conservation buffer requirement	2.5%	
of which : bank specific countercyclical buffer requirement	2.5%	
of which : D-SIB buffer requirement	0.5% - 2.0%	
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets).	7.0%	
Notional Minima		

Common Disclosure as at 31st March 2020	Component of Regulatory Capital reported by bank (KD'000s)	Reference of Balance Sheet under the Regulatory Scope of Consolidation
Notional Common Equity Tier 1 minimum ratio (i.e. 9.5%)	362,238	
Notional Tier 1 minimum ratio (i.e. 11%)	419,433	
Notional total capital minimum ratio (i.e. 13% excluding CCY and D-SIB buffers)	495,694	
Amounts below the Threshold for Deductions (before Risk Weighting)		
Non – significant investments in the capital of other financials	-	
Significant investments in the common stock of financials	-	
Mortgage servicing rights (net of related tax liability)	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable Caps on the Inclusion of Provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	210,525	b-a
Cap on inclusion of provisions in Tier 2 under standardized approach	164,988	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

A reconciliation of the balance sheet as per published financial statements to the regulatory scope of consolidation at 31st March 2020 is shown below. The bank follows IFRS standards for consolidations purposes which is applied for Basel III reporting as well.

Reconciliation as at 31st March 2020			
Item	Balance Sheet as in Published Financial <i>As at period end</i>	Under Regulatory Scope of <i>As at period end</i>	Reference to common
	(KD'000s)	(KD'000s)	
Assets			
Cash and balances with banks	857,746	857,746	
Kuwait Government treasury bonds	148,937	148,937	
Central Bank of Kuwait bonds	136,956	136,956	
Loans and advances (net of specific provisions)	3,497,577	3,497,577	
General provisions on Loans and advances	(198,493)	(198,493)	a
Investment securities	319,686	319,686	
Investment in an associate	24,673	24,673	
Other assets	61,092	61,092	
Intangible Assets	19,030	19,030	
Premises and equipment	66,094	66,094	
Total assets	4,933,298	4,933,298	
Liabilities			
Due to banks and other financial institutions	434,585	434,585	
Customers' deposits	3,524,229	3,524,229	
Medium Term Borrowings	154,008	154,008	
Other liabilities	109,811	109,811	
Specific provisions on contingent liabilities	6,574	6,574	
General provisions on contingent liabilities	12,032	12,032	b
Total liabilities	4,241,239	4,241,239	
Shareholders' Equity			
Share capital	161,917	161,917	c
Share premium	108,897	108,897	d
Treasury shares	(5,135)	(5,135)	e
Retained Earnings	151,656	151,656	f
Reserves	182,787	182,787	
Perpetual Tier 1 capital securities	90,750	90,750	
Non-controlling interests	1,187	1,187	
Proposed dividend	-	-	

Total shareholders' equity

692,059

692,059