

Pillar III Disclosures – 30th June 2018



Capital Structure as at 30th June 2018	KD'000
Paid-up share capital/common stock	161,917
Reserves	393,336
Less:	
Treasury Shares	(5,053)
Other Intangibles (except Mortgage Servicing Rights)	(13,137)
Defined benefit pension fund liabilities	(277)
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Common Equity Tier I (CET)	536,786
Additional Tier I	-
General provisions (subject to maximum of 1.25% of total credit risk weighted assets)	42,904
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Tier II	42,904
Total eligible capital after deductions	579,690

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 30 June 2018	Required Capital (KD'000)
1. Claims on sovereigns	2,921
2. Claims on public sector entities (PSEs)	5,328
2. Claims on banks	37,295
3. Claims on corporate	266,378
4. Regulatory retail exposures	76,751
5. Past due exposures	3,869
6. Other exposures	53,663
Total	446,205
Less: General provision in excess of 1.25% risk weighted assets	(21,832)
Net credit risk weighted exposure	424,373
Market risk exposure	1,667
Operational risk exposure	36,161
Grand Total	462,201

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Capital Adequacy Ratios:

Tier I	15.10%
CET 1	15.10%
Total	16.30%

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

Common Disclosure as at 30th June 2018	Component of Regulatory Capital reported by bank (KD'000)	Reference of the 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	124,296	f
Accumulated other comprehensive income (and other reserves)	159,823	
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)	320	
Common Equity Tier 1 capital before regulatory adjustments	555,253	
Common Equity Tier 1 Capital: Regulatory Adjustments		
Dividends	-	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage- servicing rights (net of related tax liability)	(13,137)	
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	(277)	
Investments in own shares(if not netted off paid-in capital on reported balance sheet)	(5,053)	e
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)	-	

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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	(18,467)
Common Equity Tier 1 capital (CET 1) after regulatory adjustments	536,786
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	-
Additional Tier 1 instruments issued by subsidiaries and held by third parties	-
of which : instruments issued by subsidiaries subject to phase-out	-
Additional Tier 1 capital before regulatory adjustments	-
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)	-
Tier 1 capital (T1 = CET1 + AT1)	536,786

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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	42,904
Tier 2 capital before regulatory adjustments	42,904
Tier 2 Capital : Regulatory Adjustments	
Investments in own Tier 2 instruments	-
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)	42,904
Total capital (TC = T1 + T2)	579,690
Total risk weighted assets	3,555,396
Capital Ratios and Buffers	
Common Equity Tier 1 (as a percentage of risk weighted assets)	15.10%
Tier 1 (as a percentage of risk weighted assets)	15.10%
Total capital (as a percentage of risk weighted assets)	16.30%
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)	13.00%
of which : capital conservation buffer requirement	2.50%
of which : bank specific countercyclical buffer requirement	2.50%
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).	7.00%
National Minima	
National Common Equity Tier 1 minimum ratio (i.e. 9.5%)	337,763
National Tier 1 minimum ratio (i.e. 11%)	391,094
National total capital minimum ratio (i.e. 13% excluding CCY and D-SIB buffers)	462,201

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Amounts below the Threshold for Deductions (before Risk Weighting)		
Non -Significant investment in the capital of other financials below the Threshold	-	
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)	210,842	b-a
Cap on inclusion of provisions in Tier 2 under standardized approach	167,938	
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	-	

Reconciliation as at 30th June 2018

Item	Balance Sheet as in Published Financial Statements As at period end	Under Regulatory Scope of Consolidation As at period end	Reference to common disclosure
Assets			
Cash and balances with banks	639,483	639,483	
Kuwait Government treasury bonds	282,700	282,700	
Central Bank of Kuwait bonds	104,870	104,870	
Loans and advances (net of specific provisions)	3,298,045	3,298,045	
General provisions on Loans and advances	(198,210)	(198,210)	a
Investment securities	218,302	218,302	
Investment in an associate	20,349	20,349	
Other assets	41,921	41,921	
Intangible Assets	16,992	16,992	
Premises and equipment	54,750	54,750	
Total assets	4,479,202	4,479,202	

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Liabilities			
Due to banks and other financial institutions	570,135	570,135	
Customers' deposits	3,081,850	3,081,850	
Medium Term Borrowings	150,300	150,300	
Other liabilities	90,100	90,100	
Specific provision on contingent liabilities	4,708	4,708	
General provision on contingent liabilities	12,632	12,632	b
Total liabilities	3,909,725	3,909,725	
Shareholders' Equity			
Share capital	161,917	161,917	c
Share premium	108,897	108,897	d
Treasury shares	(5,053)	(5,053)	e
Retained Earnings	124,296	124,296	f
Reserves	178,665	178,665	
Non-controlling interests	755	755	
Proposed dividend	0	0	
Total shareholders' equity	569,477	569,477	

Gross credit risk exposure as at 30th June 2018

(Gross outstanding before any risk mitigation)	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
1. Cash items	23,719	-	23,719
2. Claims on sovereigns	832,581	25,546	858,127
3. Claims on public sector entities (PSEs)	132,548	35	132,583
4. Claims on banks	544,576	626,106	1,170,682
5. Claims on corporate	2,123,581	824,924	2,948,505
6. Regulatory retail exposures	620,876	19,065	639,941
7. Past due exposures	32,443	1,416	33,859
8. Other exposures	352,431	3,300	355,731
Total	4,662,755	1,500,392	6,163,147

Gross credit risk exposure - average balance as of 30th June 2018

(Gross outstanding before any risk mitigation)	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
1. Cash items	24,758	-	24,758
2. Claims on sovereigns	900,045	10,575	910,620
3. Claims on public sector entities (PSEs)	113,741	1	113,742
4. Claims on banks	469,638	587,071	1,056,709
5. Claims on corporate	2,055,441	799,508	2,854,949
6. Regulatory retail exposures	598,353	22,165	620,518
7. Past due exposures	30,704	430	31,134
8. Other exposures	399,706	2,935	402,641
Total	4,592,386	1,422,685	6,015,071

Geographic distribution – all exposures as of 30th June 2018

(KD'000s)

	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total
1. Cash items	17,072	6,647	-	-	-	-	23,719
2. Claims on sovereigns	614,989	220,672	-	-	5,570	16,896	858,127
3. Claims on public sector entities (PSEs)	4,125	87,873	-	-	13,333	27,252	132,583
4. Claims on banks	149,691	447,395	287,057	5,302	245,735	35,502	1,170,682
5. Claims on corporate	2,232,024	586,570	31,811	13,827	68,101	16,173	2,948,506
6. Regulatory retail exposures	549,897	89,849	186	-	8	-	639,940
7. Past due exposures	19,844	14,015	-	-	-	-	33,859
8. Other exposures	320,740	26,004	7,476	-	647	863	355,730
Total	3,908,382	1,479,025	326,530	19,129	333,394	96,686	6,163,146

Geographic distribution – funded exposures as of 30th June 2018							(KD'000s)	
	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total	
1. Cash items	17,072	6,647	-	-	-	-	23,719	
2. Claims on sovereigns	602,120	207,994	-	-	5,570	16,897	832,581	
3. Claims on public sector entities (PSEs)	4,124	87,839	-	-	13,333	27,252	132,548	
4. Claims on banks	149,616	218,659	57,191	4,492	79,762	34,857	544,577	
5. Claims on corporate	1,578,849	477,208	19,708	-	31,643	16,173	2,123,581	
6. Regulatory retail exposures	542,791	78,085	-	-	-	-	620,876	
7. Past due exposures	20,489	11,954	-	-	-	-	32,443	
8. Other exposures	317,466	25,979	7,475	-	647	863	352,430	
Total	3,232,527	1,114,365	84,374	4,492	130,955	96,042	4,662,755	

Geographic distribution – unfunded exposures as of 30th June 2018							(KD'000s)	
	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total	
1. Claims on sovereigns	12,869	12,677	-	-	-	-	25,546	
2. Claims on public sector entities (PSEs)	1	33	-	-	-	-	34	
3. Claims on banks	76	228,738	229,866	810	165,973	645	626,108	
4. Claims on corporate	653,173	109,362	12,103	13,827	36,459	-	824,924	
5. Regulatory retail exposures	7,106	11,765	186	-	8	-	19,065	
6. Past due exposures	1	1,415	-	-	-	-	1,416	
7. Other exposures	3,275	25	-	-	-	-	3,300	
Total	676,501	364,015	242,155	14,637	202,440	645	1,500,393	

Gross credit exposure – residual contractual maturity as at 30th June 2018

	Less than 1 Month (KD'000s)	1 Month to 1 Year (KD'000s)	1 Year to 5 Years (KD'000s)	Over 5 Years (KD'000s)	Total (KD'000s)
1. Cash items	23,719	-	-	-	23,719
2. Claims on sovereigns	454,374	160,113	220,287	23,353	858,127
3. Claims on public sector entities (PSEs)	5,698	50,045	69,377	7,463	132,583
4. Claims on banks	383,050	553,138	218,960	15,534	1,170,682
5. Claims on corporate	539,416	1,402,847	888,339	117,904	2,948,506
6. Regulatory retail exposures	38,222	92,007	127,863	381,848	639,940
7. Past due exposures	-	-	33,859	-	33,859
8. Other exposures	186,553	91,842	60,230	17,105	355,730
Total	1,631,032	2,349,992	1,618,915	563,207	6,163,146

Impaired credit facilities and provision – by category as at 30th June 2018

	NPL (KD'000s)	Specific provision (KD'000s)	General provision (KD'000s)	Specific provision charge (KD'000s)
1. Claims on banks	-	-	1,743	-
2. Claims on corporate	56,226	28,604	203,879	18,738
3. Regulatory retail exposures	9,807	4,726	5,220	4,285
Total	66,033	33,330	210,842	23,023

Impaired credit facilities and provision – by geographic area as at 30th June 2018

	NPL (KD'000s)	Specific provision (KD'000s)	General provision (KD'000s)
Domestic (Kuwait)	43,989	19,609	197,478
Other Middle East	22,044	13,721	11,036
Europe	-	-	641
USA	-	-	-
Asia Pacific	-	-	1,037
Rest of World	-	-	650
Total	66,033	33,330	210,842

Movement in provisions for credit facilities impairment as at 30th June 2018

	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
Provisions as on 1st January 2018	222,831	17,128	239,959
Exchange difference	21	-	21
Amounts written off during the year (net of recoveries)	(26,258)	-	(26,258)
Charge for the year	30,238	212	30,450
Provisions as at 30th June 2018	226,832	17,340	244,172

Risk weighted exposure post credit conversion and risk mitigation as at 30th June 2018

	Rated (KD'000s)	Unrated (KD'000s)	Total (KD'000s)
1. Claims on sovereigns	11,641	10,826	22,467
2. Claims on public sector entities (PSEs)	22,852	18,130	40,982
3. Claims on banks	283,503	3,384	286,887
4. Claims on corporate	4,909	2,044,155	2,049,064
5. Regulatory retail exposures	-	590,391	590,391
6. Past due exposures	-	29,759	29,759
7. Other exposures	-	412,796	412,796
Total	322,905	3,109,441	3,432,346

Collateralized Credit Exposure with eligible collateral as at 30th June 2018

	Gross Credit Exposure (KD'000s)	Collateralized Exposure (KD'000s)	Financial Collaterals (KD'000s)	Bank Guarantees (KD'000s)	Real Estate (KD'000s)
1. Cash items	23,719	-	-	-	-
2. Claims on sovereigns	858,127	-	-	-	-
3. Claims on public sector entities (PSEs)	132,583	190	163	-	-
4. Claims on banks	1,170,682	-	-	-	-
5. Claims on corporate	2,948,506	1,405,823	450,031	5,660	43,128
6. Regulatory retail exposures	639,940	52,167	34,507	23	68
7. Past due exposures	33,859	17,388	2,458	-	528
8. Other exposures	355,730	196,004	27,136	-	10,566
Total	6,163,146	1,671,572	514,295	5,683	54,290

Credit risk exposure after credit conversion factor and CRM as at 30th June 2018

	Before CRM (KD'000s)	CRM (KD'000s)	Net exposure (KD'000s)
1. Cash items	23,719	-	23,719
2. Claims on sovereigns	832,849	-	832,849
3. Claims on public sector entities (PSEs)	132,555	(163)	132,392
4a. Claims on banks - rated	674,321	-	674,321
4b. Claims on banks - unrated	9,958	-	9,958
5. Claims on corporate	2,554,605	(498,819)	2,055,786
6. Regulatory retail exposures	629,599	(34,598)	595,001
7. Past due exposures	33,151	(2,986)	30,165
8. Other exposures	354,065	(37,702)	316,363
Total	5,244,822	(574,268)	4,670,554

Capital requirements for market risk exposures as at 30th June 2018

	Required Capital (KD'000s)
1. Equities position risk	-
2. Foreign exchange risk	1,667
Minimum capital required for market risk	1,667

Capital requirements for operational risk exposures as at 30th June 2018

	Required Capital (KD'000s)
1. Trading and sales	6,361
2. Commercial banking	21,876
3. Retail banking	7,917
4. Asset management	7
Minimum capital required for operational risk	36,161

Total value of investments disclosed in the consolidated statement of financial position as at 30th June 2018

	Total (KD'000s)	Quoted (KD'000s)	Unquoted (KD'000s)
Investment securities – available for sale	248,590	128,209	120,381

Total Investment gains as at 30th June 2018

	Total (KD'000s)
Realised gains recorded in the consolidated statement of income	57
Unrealised gains recorded in the consolidated statement of changes in shareholders' equity	8,239
100% of the above included in Tier 1 Capital	8,239

Capital requirement for the investments as at 30th June 2018

	Capital requirement (KD'000s)
Investment securities–available for sale	12,204

Interest rate risk in banking book (IRRBB) as at 30th June 2018

	(KD'000s)
1bp sensitivity in KD book	118
1bp sensitivity in USD book	22

Total Value of Remuneration Awards for the Half Year 2018	No of Employees	Unrestricted (In KD'000s)	Deferred (In KD'000s)
Fixed remuneration			
– Cash-based	53	1,990	Nil
– Other	53	528	Nil
Variable remuneration			
– Cash-based	53	718	239

	Senior Management			Material Risk Takers			Financial & Control Function		
	No	%	KD	No	%	KD	No	%	KD
Variable	17	32%	294	24	45%	480	12	23%	184
Guaranteed Bonus	17	32%	63	24	45%	92	12	23%	38
Sign-on Awards	-	-	-	1	100%	30	-	-	-

Table (2): Summary comparison of accounting assets vs total leverage ratio exposure as at 30th June 2018

S.N.	Item	(KD'000s)
1	Total consolidated assets as per published financial statements	4,479,202
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the accounting policy but excluded from the leverage ratio exposure measure (as shown in footnote No 2)	-
4	Adjustments for derivatives	6,965
5	Adjustment for securities financing transactions.	-
6	Off-balance sheet exposures (i.e. credit equivalent amounts)	605,780
7	Other exposures	-
8	Total exposures in the Leverage ratio measure (i.e. total of above-mentioned items)	5,091,947

Table (3): Leverage ratio common disclosure as at 30th June 2018

S.N.	Item	(KD'000s)
	On-balance sheet exposures	
	Total consolidated assets as per published financial statements	
	Add: Cash general provision	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,677,412
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	4,677,412
	Derivative Exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	3,612
5	Add-on amounts for PFE associated with all derivatives transactions	3,353
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-

Table (3): Leverage ratio common disclosure as at 30th June 2018

S.N.	Item	(KD'000s)
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	6,965
	Securities financing transaction Exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	1,486,416
18	(Adjustments for conversion to credit equivalent amounts)	(880,636)
19	Off-balance sheet items (sum of lines 17 and 18)	605,780
	Capital & Total Exposures	
20	Tier 1 capital	536,786
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,290,157
	Leverage Ratio	
22	BASEL III Leverage Ratio	10.15%

The main features table includes information on the amount recognized in regulatory capital as at 30th June 2018 is shown below.

Main features of Regulatory Capital Instruments		
1	Issuer	Al Ahli Bank of Kuwait (K.S.C.P)
2	Unique identified	BBG000BVT854
3	Governing law(s) of the instrument	Kuwait Law
Regulatory treatment		
4	Type of Capital (CET1, AT1 or T2)	CET1
5	Eligible at solo/group/group & solo	Group and Solo
6	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
7	Amount recognised in regulatory capital	KD 161,917 thousand
8	Par value of instrument	100 Fils
9	Accounting classification	Share Capital
10	Original date of issuance	23/05/1967
11	Perpetual or dated	Perpetual
12	Original maturity date	No Maturity
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
Coupons/ dividends		
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	No
23	If convertible, conversion trigger (s)	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	No
30	If write-down, write-down trigger(s)	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

Main features of Regulatory Capital Instruments

34	Position in subordinated hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
35	Non-compliant transitioned features	No
36	If yes, specify non-compliant features	N/A
