



# PILLAR III DISCLOSURE

30 June 2015

# Pillar III Disclosure

## 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 30 June 2015	(KD'000s)
Paid-up share capital/common stock	161,917
Reserves	377,124
Less:	
Treasury Shares	(3,644)
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	(4,725)
<b>Common Equity Tier I</b>	<b>53,067</b>
<b>Additional Tier I</b>	<b>-</b>
General provisions (subject to maximum of 1.25% of total credit risk weighted assets)	31,974
Threshold deductions arising from Investments in FIs where ownership is <= 10%	(3,025)
Tier II	28,949
<b>Total eligible capital after deductions</b>	<b>559,621</b>

## Pillar III Disclosure (continued)

### CAPITAL STRUCTURE

#### 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 2015	Required Capital (KD'000s)
1. Claims on public sector entities (PSEs)	5,082
2. Claims on banks	36,097
3. Claims on corporate	163,034
4. Regulatory retail exposures	52,275
5. Past due exposures	1,253
6. Other exposures	74,783
<b>Total</b>	<b>332,524</b>
Less: General provision in excess of 1.25% risk weighted assets	(15,091)
Net credit risk weighted exposure	317,434
Market risk exposure	2,334
Operational risk exposure	26,736
<b>Grand Total</b>	<b>346,504</b>
<b>Capital Adequacy Ratios:</b>	
<b>Tier I</b>	<b>19.91%</b>
<b>CET 1</b>	<b>19.91%</b>
<b>Total</b>	<b>21.00%</b>

## Pillar III Disclosure (continued)

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

Common Disclosure as at 30th June 2015	Component of Regulatory Capital reported by bank (KD'000s)	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
<b>Common Equity Tier 1 capital: Instruments and Reserves</b>		
Directly issued common share capital plus related stock surplus	270,814	c + d
Retained earnings	100,447	f
Accumulated other comprehensive income (and other reserves)	167,780	g
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)	-	
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>539,041</b>	
<b>Common Equity Tier 1 Capital: Regulatory Adjustments</b>	<b>-</b>	
Prudential valuation adjustments	-	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage- servicing rights (net of related tax liability)	-	
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	-	
Investments in own shares(if not already netted off paid-in capital on reported balance sheet)	(3,644)	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)	(3,775)	
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	-	

## Pillar III Disclosure (continued)

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

	Component of Regulatory Capital reported by bank (KD'000s)	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
<b>Common Disclosure as at 30th June 2015</b>		
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	(950)	
<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>(8,369)</b>	
<b>Common Equity Tier 1 capital (CET 1) after regulatory adjustments</b>	<b>530,672</b>	
<b>Additional Tier 1 capital : Instruments</b>		
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	-	
<b>Additional Tier 1 capital before regulatory adjustments</b>	-	
<b>Additional Tier 1 Capital : Regulatory Adjustments</b>		
<b>Investments in own Additional Tier 1 instruments</b>	-	
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	-	
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	
<b>Additional Tier 1 capital (AT1)</b>	-	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>530,672</b>	
<b>Tier 2 Capital: Instruments and Provisions</b>		
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	-	

## Pillar III Disclosure (continued)

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

	Component of Regulatory Capital reported by bank (KD'000s)	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
<b>Common Disclosure as at 30th June 2015</b>		
of which : instruments issued by subsidiaries subject to phase-out	-	
General Provisions included in Tier 2 capital	31,974	
<b>Tier 2 capital before regulatory adjustments</b>	<b>31,974</b>	
<b>Tier 2 Capital : Regulatory Adjustments</b>		
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	(3,025)	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
National specific regulatory adjustments	-	
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>(3,025)</b>	
<b>Tier 2 capital (T2)</b>	<b>28,949</b>	
<b>Total capital (TC = T1 + T2)</b>	<b>559,621</b>	
<b>Total risk weighted assets</b>	<b>2,665,412</b>	
<b>Capital Ratios and Buffers</b>		
Common Equity Tier 1 (as a percentage of risk weighted assets)	19.91%	
Tier 1 (as a percentage of risk weighted assets)	19.91%	
Total capital (as a percentage of risk weighted assets)	21.00%	
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)	12.5%	
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%	
<b>National Minima</b>		
National Common Equity Tier 1 minimum ratio (i.e. 9.5%)	253,214	
National Tier 1 minimum ratio (i.e. 11%)	293,195	
National total capital minimum ratio (i.e. 13% excluding CCY and D-SIB buffers)	346,504	
<b>Amounts below the Threshold for Deductions (before Risk Weighting)</b>		
Non – significant investments in the capital of other financials	-	

## Pillar III Disclosure (continued)

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

Common Disclosure as at 30th June 2015	Component of Regulatory Capital reported by bank (KD'000s)	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
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)	-	
<b>Applicable Caps on the Inclusion of Provisions in Tier 2</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	148,056	a + b
Cap on inclusion of provisions in Tier 2 under standardized approach	116,082	
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	-	

## Pillar III Disclosure (continued)

A reconciliation of the balance sheet as per published financial statements to the regulatory scope of consolidation at 30th June 2015 is shown below. The bank follows IFRS standards for consolidations purposes which is applied for Basel III reporting as well.

### Reconciliation as at 30th June 2015

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
<b>Assets</b>			
Cash and balances with banks	281,110	281,110	
Kuwait Government treasury bonds	241,952	241,952	
Central Bank of Kuwait bonds	150,231	150,231	
Loans and advances (net of specific provisions)	2,761,845	2,761,845	
General provisions on Loans and advances	(135,992)	(135,992)	a
Investment securities	321,991	321,991	
Investment in an associate	15,136	15,136	
Other assets	36,772	36,772	
Premises and equipment	34,731	34,731	
<b>Total assets</b>	<b>3,707,776</b>	<b>3,707,776</b>	
<b>Liabilities</b>			
Due to banks and other financial institutions	990,600	990,600	
Customers' deposits	2,082,079	2,082,079	
Other liabilities	59,662	59,662	
Specific provision on contingent liabilities	7,537	7,537	
General provision on contingent liabilities	12,064	12,064	b
<b>Total liabilities</b>	<b>3,151,942</b>	<b>3,151,942</b>	
<b>Shareholders' Equity</b>			
Share capital	161,917	161,917	c
Share premium	108,897	108,897	d
Treasury shares	(3,644)	(3,644)	e
Retained Earnings	100,447	100,447	f
Reserves	167,780	167,780	g
Interim profit	20,437	20,437	
<b>Total shareholders' equity</b>	<b>555,834</b>	<b>555,834</b>	



**Table (2): Summary comparison of accounting assets vs total leverage ratio exposure as at 30th June 2015**

S.N.	Item	(KD'000s)
1	Total consolidated assets as per published financial statements	3,707,776
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(4,725)
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	7,160
5	Adjustment for securities financing transactions.	-
6	Off-balance sheet exposures (i.e. credit equivalent amounts)	476,420
7	Other exposures	-
8	<b>Total exposures in the Leverage ratio measure (i.e. total of above-mentioned items)</b>	<b>4,186,632</b>

**Table (3): Leverage ratio common disclosure as at 30th June 2015**

S.N.	Item	(KD'000s)
	<b>On-balance sheet exposures</b>	
	Total consolidated assets as per published financial statements	3,707,776
	Add: Cash general provision	135,992
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,843,768
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,725)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	3,839,043
	<b>Derivative Exposures</b>	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	289
5	Add-on amounts for PFE associated with all derivatives transactions	6,871
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
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)	7,160

**Table (3): Leverage ratio common disclosure as at 30th June 2015 (continued)**

S.N.	Item	(KD'000s)
	<b>Securities financing transaction Exposures</b>	
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)	-
	<b>Other off-balance sheet exposures</b>	
17	Off-balance sheet exposure at gross notional amount	1,337,137
18	(Adjustments for conversion to credit equivalent amounts)	(860,717)
19	Off-balance sheet items (sum of lines 17 and 18)	476,420
	<b>Capital &amp; Total Exposures</b>	
20	Tier 1 capital	530,672
21	Total exposures (sum of lines 3, 11, 16 and 19)	4,322,624
	<b>Leverage Ratio</b>	
22	<b>BASEL III Leverage Ratio</b>	<b>12.28%</b>

The main features table includes information on the amount recognized in regulatory capital as at 30th June 2015 is shown below.

<b>Main features of Regulatory Capital Instruments</b>		
1	Issuer	Al Ahli Bank of Kuwait (K.S.C.P)
2	Unqiue identified	BBG000BVT854
3	Governing law(s) of the instrument	Kuwait Law
	<b>Regulatory treatment</b>	
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

The main features table includes information on the amount recognized in regulatory capital as at 30th June 2015 is shown below. (continued)

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
<b>Coupons / dividends</b>		
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
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

