



PILLAR III DISCLOSURE

30 JUNE 2016

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 2016	(KD'000s)
Paid-up share capital/common stock	161,917
Reserves	379,522
Less:	
Treasury Shares	(4,916)
Other Intangibles (except Mortgage Servicing Rights)	(27,654)
Defined benefit pension fund liabilities	(90)
Common Equity Tier I	508,779
Additional Tier I	-
General provisions (subject to maximum of 1.25% of total credit risk weighted assets)	39,002
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Tier II	39,002
Total eligible capital after deductions	547,781

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 2016	Required Capital (KD'000s)
1. Claims on sovereigns	392
2. Claims on public sector entities (PSEs)	6,176
3. Claims on banks	36,834
4. Claims on corporate	205,694
5. Regulatory retail exposures	66,915
6. Past due exposures	3,149
7. Other exposures	86,463
Total	405,623
Less: General provision in excess of 1.25% risk weighted assets	(21,956)
Net credit risk weighted exposure	383,667
Market risk exposure	761
Operational risk exposure	31,409
Grand Total	415,838
Capital Adequacy Ratios:	
Tier I	15.91%
CET 1	15.91%
Total	17.12%

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

Common Disclosure as at 30th June 2016	Component of Regulatory Capital reported by bank (KD'000s)	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	108,276	f
Accumulated other comprehensive income (and other reserves)	162,349	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)	-	
Common Equity Tier 1 capital before regulatory adjustments	541,439	
Common Equity Tier 1 Capital: Regulatory Adjustments		
Prudential valuation adjustments	-	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage- servicing rights (net of related tax liability)	(27,654)	
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	(90)	

Common Disclosure as at 30th June 2016	Component of Regulatory Capital reported by bank (KD'000s)	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
Investments in own shares(if not already netted off paid-in capital on reported balance sheet)	(4,916)	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)	-	
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	(32,660)	
Common Equity Tier 1 capital (CET 1) after regulatory adjustments	508,779	

Common Disclosure as at 30th June 2016	Component of Regulatory Capital reported by bank <i>(KD'000s)</i>	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
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)	508,779	

Common Disclosure as at 30th June 2016	Component of Regulatory Capital reported by bank <i>(KD'000s)</i>	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
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	39,002	
Tier 2 capital before regulatory adjustments	39,002	
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)	39,002	
Total capital (TC = T1 + T2)	547,781	
Total risk weighted assets	3,198,746	

Common Disclosure as at 30th June 2016	Component of Regulatory Capital reported by bank <i>(KD'000s)</i>	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
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Capital Ratios and Buffers

Common Equity Tier 1 (as a percentage of risk weighted assets)	15.91%
Tier 1 (as a percentage of risk weighted assets)	15.91%
Total capital (as a percentage of risk weighted assets)	17.12%
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)	12.50%
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%)	303,881
National Tier 1 minimum ratio (i.e. 11%)	351,862
National total capital minimum ratio (i.e. 13% excluding CCY and D-SIB buffers)	415,838

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)	-

Common Disclosure as at 30th June 2016	Component of Regulatory Capital reported by bank (KD'000s)	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
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)	207,891	a + b
Cap on inclusion of provisions in Tier 2 under standardized approach	168,889	
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 30th June 2016 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 2016			
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
Assets			
Cash and balances with banks	613,714	613,714	
Kuwait Government treasury bonds	208,399	208,399	
Central Bank of Kuwait bonds	184,110	184,110	
Loans and advances (net of specific provisions)	3,323,060	3,323,060	
General provisions on Loans and advances	(196,034)	(196,034)	a
Investment securities	301,204	301,204	
Investment in an associate	16,972	16,972	
Other assets	42,211	42,211	
Intangible Assets	35,717	35,717	
Premises and equipment	52,296	52,296	
Total assets	4,581,649	4,581,649	
Liabilities			
Due to banks and other financial institutions	897,904	897,904	
Customers' deposits	3,025,315	3,025,315	
Other liabilities	88,298	88,298	
Specific provision on contingent liabilities	5,945	5,945	
General provision on contingent liabilities	11,857	11,857	b
Total liabilities	4,029,319	4,029,319	
Shareholders' Equity			
Share capital	161,917	161,917	c
Share premium	108,897	108,897	d
Treasury shares	(4,916)	(4,916)	e
Retained Earnings	108,276	108,276	f
Reserves	177,314	177,314	g
Non-controlling interests	842	842	
Total shareholders' equity	552,330	552,330	

Table (2): Summary comparison of accounting assets vs total leverage ratio exposure as at 30th June 2016

S.N.	Item	(KD'000s)
1	Total consolidated assets as per published financial statements	4,581,649
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	7,384
5	Adjustment for securities financing transactions.	-
6	Off-balance sheet exposures (i.e. credit equivalent amounts)	501,669
7	Other exposures	-
8	Total exposures in the Leverage ratio measure (i.e. total of above-mentioned items)	5,090,702

Table (3): Leverage ratio common disclosure as at 30th June 2016

S.N.	Item	(KD'000s)
	On-balance sheet exposures	
	Total consolidated assets as per published financial statements	4,581,649
	Add: Cash general provision	196,034
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,777,683
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	4,777,683

Table (3): Leverage ratio common disclosure as at 30th June 2016

S.N.	Item	(KD'000s)
Derivative Exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	276
5	Add-on amounts for PFE associated with all derivatives transactions	7,108
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)	7,384
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	1,353,589
18	(Adjustments for conversion to credit equivalent amounts)	(851,920)
19	Off-balance sheet items (sum of lines 17 and 18)	501,669
Capital & Total Exposures		

Table (3): Leverage ratio common disclosure as at 30th June 2016

S.N.	Item	(KD'000s)
20	Tier 1 capital	508,779
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,286,736
	Leverage Ratio	
22	BASEL III Leverage Ratio	9.62%

The main features table includes information on the amount recognized in regulatory capital as at 30th June 2016 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

Main features of Regulatory Capital Instruments

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
