

Pillar III Disclosures – 30th June 2017

Capital Structure as at 30th June 2017	KD'000
Paid-up share capital/common stock	161,917
Reserves	382,096
Less:	
Treasury Shares	(4,982)
Other Intangibles (except Mortgage Servicing Rights)	(17,210)
Defined benefit pension fund liabilities	(163)
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Common Equity Tier I (CET)	521,659
Additional Tier I	-
General provisions (subject to maximum of 1.25% of total credit risk weighted assets)	41,672
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Tier II	41,672
Total eligible capital after deductions	563,331

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 2017	Required Capital (KD'000)
1. Claims on sovereigns	4,333
2. Claims on public sector entities (PSEs)	3,505
2. Claims on banks	36,027
3. Claims on corporate	237,783
4. Regulatory retail exposures	72,316
5. Past due exposures	4,581
6. Other exposures	74,840
Total	433,385
Less: General provision in excess of 1.25% risk weighted assets	(22,480)
Net credit risk weighted exposure	410,906
Market risk exposure	592
Operational risk exposure	34,884
Grand Total	446,383

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Capital Adequacy Ratios:

Tier I	15.19%
CET 1	15.19%
Total	16.41%

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

Common Disclosure as at 30th June 2017	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	116,211	f
Accumulated other comprehensive income (and other reserves)	156,988	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	544,013	
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)	(17,210)	
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	(163)	
Investments in own shares(if not netted off paid-in capital on reported balance sheet)	(4,982)	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	(22,354)
Common Equity Tier 1 capital (CET 1) after regulatory adjustments	521,659
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)	521,659

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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	41,672
Tier 2 capital before regulatory adjustments	41,672
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)	41,672
Total capital (TC = T1 + T2)	563,331
Total risk weighted assets	3,433,707
Capital Ratios and Buffers	
Common Equity Tier 1 (as a percentage of risk weighted assets)	15.19%
Tier 1 (as a percentage of risk weighted assets)	15.19%
Total capital (as a percentage of risk weighted assets)	16.41%
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)	13.50%
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%)	326,202
National Tier 1 minimum ratio (i.e. 11%)	377,708
National total capital minimum ratio (i.e. 13% excluding CCY and D-SIB buffers)	446,382

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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)	214,594	a + b
Cap on inclusion of provisions in Tier 2 under standardized approach	172,922	
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	-	

*Excluding profit for the current period

Reconciliation as at 30th June 2017

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	520,043	520,043	
Kuwait Government treasury bonds	260,668	260,668	
Central Bank of Kuwait bonds	160,458	160,458	
Loans and advances (net of specific provisions)	3,273,416	3,273,416	
General provisions on Loans and advances	(202,055)	(202,055)	a
Investment securities	186,384	186,384	
Investment in an associate	19,296	19,296	
Other assets	42,543	42,543	
Intangible Assets	17,210	17,210	
Premises and equipment	48,990	48,990	
Total assets	4,326,953	4,326,953	

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Liabilities			
Due to banks and other financial institutions	590,854	590,854	
Customers' deposits	2,939,821	2,939,821	
Medium Term Borrowings	150,878	150,878	
Other liabilities	72,349	72,349	
Specific provision on contingent liabilities	4,761	4,761	
General provision on contingent liabilities	12,539	12,539	b
Total liabilities	3,771,202	3,771,202	
Shareholders' Equity			
Share capital	161,917	161,917	c
Share premium	108,897	108,897	d
Treasury shares	(4,982)	(4,982)	e
Retained Earnings	116,211	116,211	f
Reserves	173,034	173,034	g
Non-controlling interests	675	675	
Proposed dividend	0	0	
Total shareholders' equity	555,751	555,751	

Gross credit risk exposure as at 30th June 2017

(Gross outstanding before any risk mitigation)	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
1. Cash items	31,308	-	31,308
2. Claims on sovereigns	769,469	29,618	799,087
3. Claims on public sector entities (PSEs)	117,894	1	117,895
4. Claims on banks	534,165	543,941	1,078,106
5. Claims on corporate	1,931,313	831,874	2,763,187
6. Regulatory retail exposures	565,778	20,070	585,848
7. Past due exposures	43,057	1,345	44,402
8. Other exposures	527,763	4,194	531,957
Total	4,520,747	1,431,043	5,951,790

Gross credit risk exposure - average balance as of 30th June 2017

(Gross outstanding before any risk mitigation)	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
1. Cash items	25,388	-	25,388
2. Claims on sovereigns	765,276	55,331	820,606
3. Claims on public sector entities (PSEs)	130,015	1	130,017
4. Claims on banks	523,918	585,779	1,109,697
5. Claims on corporate	1,970,364	752,113	2,722,477
6. Regulatory retail exposures	552,118	20,204	572,322
7. Past due exposures	41,173	1,248	42,422
8. Other exposures	511,204	27,316	538,519
Total	4,519,456	1,441,992	5,961,448

Geographic distribution – all exposures as of 30th June 2017

(KD'000s)

	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total
1. Cash items	25,635	5,673	-	-	-	-	31,308
2. Claims on sovereigns	572,723	193,034	-	-	9,090	24,240	799,087
3. Claims on public sector entities (PSEs)	30,132	73,781	-	-	13,982	-	117,895
4. Claims on banks	172,481	366,914	266,805	3,192	223,478	45,236	1,078,106
5. Claims on corporate	2,070,564	556,155	39,850	13,827	55,900	26,891	2,763,187
6. Regulatory retail exposures	525,944	59,735	160	-	8	-	585,848
7. Past due exposures	30,855	13,547	-	-	-	-	44,402
8. Other exposures	491,581	25,067	14,661	-	648	-	531,957
Total	3,919,915	1,293,906	321,476	17,019	303,106	96,367	5,951,790

Geographic distribution – funded exposures as of 30th June 2017							(KD'000s)	
	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total	
1. Cash items	25,635	5,673	-	-	-	-	31,308	
2. Claims on sovereigns	567,344	168,795	-	-	9,090	24,240	769,469	
3. Claims on public sector entities (PSEs)	30,131	73,781	-	-	13,982	-	117,894	
4. Claims on banks	172,120	205,369	72,366	2,828	39,669	41,812	534,164	
5. Claims on corporate	1,422,419	450,884	26,270	-	16,590	15,150	1,931,313	
6. Regulatory retail exposures	516,727	49,051	-	-	-	-	565,778	
7. Past due exposures	30,138	12,919	-	-	-	-	43,057	
8. Other exposures	487,387	25,067	14,661	-	648	-	527,763	
Total	3,251,901	991,539	113,297	2,828	79,979	81,202	4,520,746	

Geographic distribution – unfunded exposures as of 30th June 2017							(KD'000s)	
	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total	
1. Claims on sovereigns	5,378	24,240	-	-	-	-	29,618	
2. Claims on public sector entities (PSEs)	1	-	-	-	-	-	1	
3. Claims on banks	360	161,545	194,439	365	183,809	3,423	543,941	
4. Claims on corporate	648,144	105,271	13,581	13,827	39,310	11,741	831,874	
5. Regulatory retail exposures	9,218	10,684	160	-	8	-	20,070	
6. Past due exposures	716	629	-	-	-	-	1,345	
7. Other exposures	4,194	-	-	-	-	-	4,194	
Total	668,011	302,369	208,180	14,192	223,127	15,164	1,431,043	

Gross credit exposure – residual contractual maturity as at 30th June 2017

	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	31,308	-	-	-	31,308
2. Claims on sovereigns	313,926	259,959	202,536	22,666	799,087
3. Claims on public sector entities (PSEs)	27,171	19,160	29,067	42,497	117,895
4. Claims on banks	338,940	459,783	236,084	43,299	1,078,106
5. Claims on corporate	511,972	1,436,345	668,704	146,166	2,763,187
6. Regulatory retail exposures	43,296	70,289	106,989	365,273	585,848
7. Past due exposures	-	-	44,402	-	44,402
8. Other exposures	44,436	176,513	241,671	69,337	531,957
Total	1,311,049	2,422,049	1,529,453	689,238	5,951,790

Impaired credit facilities and provision – by category as at 30th June 2017

	NPL (KD'000s)	Specific provision (KD'000s)	General provision (KD'000s)	Specific provision charge (KD'000s)
1. Claims on banks	-	-	2,324	-
2. Claims on corporate	78,732	40,918	206,841	11,227
3. Regulatory retail exposures	10,246	5,301	5,429	3,982
Total	88,978	46,219	214,594	15,209

Impaired credit facilities and provision – by geographic area as at 30th June 2017

	NPL (KD'000s)	Specific provision (KD'000s)	General provision (KD'000s)
Domestic (Kuwait)	60,812	34,481	201,528
Other Middle East	28,166	11,738	10,644
Europe	-	-	1,056
USA	-	-	69
Asia Pacific	-	-	570
Rest of World	-	-	727
Total	88,978	46,219	214,594

Movement in provisions for credit facilities impairment as at 30th June 2017

	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
Provisions as on 1st January 2016	231,190	17,470	248,660
Exchange difference	(210)	(59)	(269)
Amounts written off during the year (net of recoveries)	(15,723)	-	(15,723)
Charge for the year	28,253	(108)	28,145
Provisions as at 30th June 2017	243,510	17,303	260,813

Risk weighted exposure post credit conversion and risk mitigation as at 30th June 2017

	Rated (KD'000s)	Unrated (KD'000s)	Total (KD'000s)
1. Claims on sovereigns	27,270	6,060	33,330
2. Claims on public sector entities (PSEs)	24,148	2,813	26,961
3. Claims on banks	273,202	3,929	277,131
4. Claims on corporate	-	1,829,103	1,829,103
5. Regulatory retail exposures	-	556,280	556,280
6. Past due exposures	-	35,237	35,237
7. Other exposures	-	575,696	575,696
Total	324,620	3,009,118	3,333,738

Collateralized Credit Exposure with eligible collateral as at 30th June 2017

	Gross Credit Exposure (KD'000s)	Collateralized Exposure (KD'000s)	Financial Collaterals (KD'000s)	Bank Guarantees (KD'000s)	Real Estate (KD'000s)
1. Cash items	31,308	-	-	-	-
2. Claims on sovereigns	799,087	-	-	-	-
3. Claims on public sector entities (PSEs)	117,895	158	158	-	-
4. Claims on banks	1,078,106	-	-	-	-
5. Claims on corporate	2,763,187	1,149,298	444,917	3,910	138,547
6. Regulatory retail exposures	585,847	24,293	14,225	-	199
7. Past due exposures	44,402	18,225	5,695	-	1,169
8. Other exposures	531,957	341,760	24,302	-	28,811
Total	5,951,789	1,533,735	489,298	3,910	168,726

Credit risk exposure after credit conversion factor and CRM as at 30th June 2017

	Before CRM (KD'000s)	CRM (KD'000s)	Net exposure (KD'000s)
1. Cash items	31,308	-	31,308
2. Claims on sovereigns	769,771	-	769,771
3. Claims on public sector entities (PSEs)	117,895	(158)	117,737
4a. Claims on banks - rated	659,995	-	659,995
4b. Claims on banks - unrated	15,106	-	15,106
5. Claims on corporate	2,416,477	(587,375)	1,829,102
6. Regulatory retail exposures	574,877	(14,424)	560,453
7. Past due exposures	43,691	(6,864)	36,827
8. Other exposures	529,823	(53,113)	476,710
Total	5,158,943	(661,934)	4,497,009

Capital requirements for market risk exposures as at 30th June 2017

	Required Capital (KD'000s)
1. Equities position risk	-
2. Foreign exchange risk	592
Minimum capital required for market risk	592

Capital requirements for operational risk exposures as at 30th June 2017

	Required Capital (KD'000s)
1. Trading and sales	5,700
2. Commercial banking	22,431
3. Retail banking	6,722
4. Asset management	31
Minimum capital required for operational risk	34,884

Total value of investments disclosed in the consolidated statement of financial position as at 30th June 2017

	Total (KD'000s)	Quoted (KD'000s)	Unquoted (KD'000s)
Investment securities – available for sale	186,384	109,842	76,542

Total Investment gains as at 30th June 2017

	Total (KD'000s)
Realised gains recorded in the consolidated statement of income	284
Unrealised gains recorded in the consolidated statement of changes in shareholders' equity	12,294
100% of the above included in Tier 1 Capital	12,294

Capital requirement for the investments as at 30th June 2017

	Capital requirement (KD'000s)
Investment securities–available for sale	11,497

Interest rate risk in banking book (IRRBB) as at 30th June 2017

	(KD'000s)
1bp sensitivity in KD book	115
1bp sensitivity in USD book	33

Total Value of Remuneration Awards for the Half Year 2017	No of Employees	Unrestricted (In KD'000s)	Deferred (In KD'000s)
Fixed remuneration			
– Cash-based	59	2,070	Nil
– Other	59	408	Nil
Variable remuneration			
– Cash-based	59	613	204

	Senior Management			Material Risk Takers			Financial & Control Function		
	No	%	KD	No	%	KD	No	%	KD
Variable	21	36%	333	24	41%	320	14	24%	218
Guaranteed Bonus	21	36%	85	24	41%	81	14	24%	46
End of service payments	-	-	-	-	-	-	-	100%	-

Table (2): Summary comparison of accounting assets vs total leverage ratio exposure as at 30th June 2017

S.N.	Item	(KD'000s)
1	Total consolidated assets as per published financial statements	4,326,953
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	3,684
5	Adjustment for securities financing transactions.	-
6	Off-balance sheet exposures (i.e. credit equivalent amounts)	673,307
7	Other exposures	-
8	Total exposures in the Leverage ratio measure (i.e. total of above-mentioned items)	5,003,944

Table (3): Leverage ratio common disclosure as at 30th June 2017

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)	4,529,008
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) ⁶	4,529,008
	Derivative Exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,155
5	Add-on amounts for PFE associated with all derivatives transactions	2,529
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the	-

Table (3): Leverage ratio common disclosure as at 30th June 2017

S.N.	Item	(KD'000s)
	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)	3,684
	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	1,571,893
18	(Adjustments for conversion to credit equivalent amounts)	(898,586)
19	Off-balance sheet items (sum of lines 17 and 18)	673,307
	Capital & Total Exposures	
20	Tier 1 capital	521,659
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,205,999
	Leverage Ratio	
22	BASEL III Leverage Ratio	10.02%

The main features table includes information on the amount recognized in regulatory capital as at 30th June 2017 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
