



PILLAR III DISCLOSURE

31 March 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 31 March 2015 | (KD'000s) |
|---|----------------|
| Paid-up share capital/common stock | 161,917 |
| Reserves | |
| Less: | |
| Treasury shares | (2,601) |
| Threshold deductions arising from Investments in FIs where ownership is <= 10 per cent | (6,529) |
| Common Equity Tier I | 530,585 |
| Additional Tier I | - |
| General provisions (subject to maximum of 1.25 per cent of total credit risk weighted assets) | 29,931 |
| Threshold deductions arising from Investments in FIs where ownership is <= 10 per cent | (5,098) |
| Tier II | 24,833 |
| Total eligible capital after deductions | 555,418 |

Pillar III Disclosure (continued)

CAPITAL STRUCTURE (continued)

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 31 March 2015 | Required Capital (KD'000s) |
|---|----------------------------|
| 1. Claims on public sector entities (PSEs) | 6,381 |
| 2. Claims on banks | 31,276 |
| 3. Claims on corporate | 156,506 |
| 4. Regulatory retail exposures | 48,750 |
| 5. Past due exposures | 2,394 |
| 6. Other exposures | 65,979 |
| Total | 311,286 |
| Less: General provision in excess of 1.25 per cent risk weighted assets | (15,023) |
| Net credit risk weighted exposure | 296,263 |
| Market risk exposure | 2,667 |
| Operational risk exposure | 26,655 |
| Grand Total | 325,585 |
| Capital Adequacy Ratios: | |
| Tier 1 | 21.19% |
| CET 1 | 21.19% |
| Total | 22.18% |

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

| Common Disclosure as at 31st March 2015 | 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 | 100,447 | f |
| Accumulated other comprehensive income (and other reserves) | 168,454 | 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 | 539,715 | |
| 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) | – | |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences | – | |
| Cash-flow hedge reserve | – | |
| Shortfall of provisions to expected losses | – | |
| Securitisation gain on sale | – | |
| Gains and losses due to changes in own credit risk on fair valued liabilities | – | |
| Defined-benefit pension fund net assets | – | |
| Proposed dividend | – | |
| Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | (2,601) | 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 per cent of the issued share capital (amount above the 10 per cent threshold of the Bank's CET 1 capital) | (5,225) | |
| 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 per cent threshold of Bank's CET 1 capital) | – | |
| Mortgage servicing rights (amount above 10 per cent threshold of Bank's CET 1 capital) | – | |
| Deferred tax assets arising from temporary differences (amount above 10 per cent threshold, net of related tax liability) | – | |
| Amount exceeding the 15 per cent 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 | (1,304) | |

Pillar III Disclosure (continued)

CAPITAL STRUCTURE (continued)

Composition Analysis (continued)

| Common Disclosure as at 31st March 2015 | Component of Regulatory Capital reported by bank (KD'000s) | Reference of the Balance Sheet under the Regulatory Scope of Consolidation |
|---|--|--|
| Total regulatory adjustments to Common Equity Tier 1 | (9,130) | |
| Common Equity Tier 1 capital (CET 1) after regulatory adjustments | 530,585 | |
| 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 per cent 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) | 530,585 | |
| 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 | 29,931 | |
| Tier 2 capital before regulatory adjustments | 29,931 | |
| Tier 2 capital : Regulatory Adjustments | | |
| Investments in own Tier 2 instruments | – | |
| Reciprocal cross-holdings in Tier 2 instruments | – | |

| | Component of Regulatory Capital reported by bank (KD'000s) | Reference of the Balance Sheet under the Regulatory Scope of Consolidation |
|---|--|--|
| Common Disclosure as at 31st March 2015 | | |
| 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 per cent of the issued common share capital of the entity | (5,098) | |
| 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 | (5,098) | |
| Tier 2 capital (T2) | 24,833 | |
| Total capital (TC = T1 + T2) | 555,418 | |
| Total risk weighted assets | 2,504,501 | |
| Capital Ratios and Buffers | | |
| Common Equity Tier 1 (as a percentage of risk weighted assets) | 21.19% | |
| Tier 1 (as a percentage of risk weighted assets) | 21.19% | |
| Total capital (as a percentage of risk weighted assets) | 22.18% | |
| 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% | |
| National Minima | | |
| National Common Equity Tier 1 minimum ratio (i.e. 9.5 per cent) | 237,928 | |
| National Tier 1 minimum ratio (i.e. 11 per cent) | 275,495 | |
| National total capital minimum ratio (i.e. 13 per cent excluding CCY and D-SIB buffers) | 325,585 | |
| 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 standardised approach (prior to application of cap) | 145,488 | a + b |
| Cap on inclusion of provisions in Tier 2 under standardised approach | 115,557 | |
| 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)

CAPITAL STRUCTURE (continued)

Composition Analysis (continued)

A reconciliation of the balance sheet as per published financial statements to the regulatory scope of consolidation at 31st March 2015 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 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 |
|---|---|---|------------------------|
| Assets | | | |
| Cash and balances with banks | 163,933 | 163,933 | |
| Kuwait Government treasury bonds | 272,086 | 272,086 | |
| Central Bank of Kuwait bonds | 185,248 | 185,248 | |
| Loans and advances (net of specific provisions) | 2,652,898 | 2,652,898 | |
| General provisions on loans and advances | (127,213) | (127,213) | a |
| Investment securities | 338,882 | 338,882 | |
| Investment in an associate | 15,456 | 15,456 | |
| Other assets | 41,655 | 41,655 | |
| Premises and equipment | 34,307 | 34,307 | |
| Total assets | 3,577,252 | 3,577,252 | |
| Liabilities | | | |
| Due to banks and other financial institutions | 884,812 | 884,812 | |
| Customers' deposits | 2,059,354 | 2,059,354 | |
| Other liabilities | 68,640 | 68,640 | |
| General provisions on contingent liabilities | 18,275 | 18,275 | b |
| Total liabilities | 3,031,081 | 3,031,081 | |
| Shareholders' Equity | | | |
| Share capital | 161,917 | 161,917 | c |
| Share premium | 108,897 | 108,897 | d |
| Treasury shares | (2,601) | (2,601) | e |
| Retained earnings | 100,447 | 100,447 | f |
| Reserves | 168,454 | 168,454 | g |
| Interim profit or loss | 9,057 | 9,057 | |
| Total shareholders' equity | 3,577,252 | 3,577,252 | |

The main features table includes information on the amount recognized in regulatory capital as at 31st March 2015 is shown below.

| | Main features of Regulatory Capital Instruments | |
|----|--|---------------------------------|
| 1 | Issuer | Al Ahli Bank Of Kuwait (K.S.C.) |
| 2 | Unqiue 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 |
| 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 |

Al Ahli Bank of Kuwait K.S.C.P.

Established in the State of Kuwait

By Amiri Decree on 23 May 1967

Paid Up Capital as at 31 Dec 2014: KD 161,916,623.400

Commercial Register: 3705

Telex: 22067, 23256, 23257

Reuters: AHLK

SWIFT: ABKK-KW-KW

Cable: AHLIBANK-KUWAIT

Ahlan Ahli 1 899 899

www.eahli.com



Ahlan Ahli 1 899 899
www.eahli.com