



Pillar III Disclosure

30 September 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 September 2015	(KD'000s)
Paid-up share capital/common stock	161,917
Reserves	369,660
Less:	
Treasury Shares	(4,405)
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	(3,258)
Common Equity Tier I	523,914
Additional Tier I	–
General provisions (subject to maximum of 1.25% of total credit risk weighted assets)	34,365
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	(2,165)
Tier II	32,200
Total eligible capital after deductions	556,114

Pillar III Disclosure (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.

	Required Capital (KD'000s)
Capital adequacy as at 30 September 2015	
1. Claims on public sector entities (PSEs)	4,704
2. Claims on banks	35,641
3. Claims on corporate	176,479
4. Regulatory retail exposures	56,845
5. Past due exposures	2,316
6. Other exposures	81,416
Total	357,401
Less: General provision in excess of 1.25% risk weighted assets	(16,077)
Net credit risk weighted exposure	341,323
Market risk exposure	9,490
Operational risk exposure	26,960
Grand Total	377,773
Capital Adequacy Ratios:	
Tier I	18.03%
CET 1	18.03%
Total	19.14%

Pillar III Disclosure (continued)

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

	Component of Regulatory Capital reported by bank (KD'000s)	Reference of the Balance Sheet under the Regulatory Scope of Consolidation
Common Disclosure as at 30th September 2015		
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)	160,316	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	531,577	
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	–	
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)	(4,405)	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)	(2,584)	
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	(674)	
Total regulatory adjustments to Common Equity Tier 1	(7,663)	
Common Equity Tier 1 capital (CET 1) after regulatory adjustments	523,914	

Pillar III Disclosure (continued)

Additional capital disclosures required by Basel III regulations (continued)

	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		
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)		
	523,914	
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	34,365	
Tier 2 capital before regulatory adjustments		
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	(2,165)	

Pillar III Disclosure (continued)

Additional capital disclosures required by Basel III regulations (continued)

	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		
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	(2,165)	
Tier 2 capital (T2)	32,200	
Total capital (TC = T1 + T2)	556,114	
Total risk weighted assets	2,905,947	
Capital Ratios and Buffers		
Common Equity Tier 1 (as a percentage of risk weighted assets)	18.03%	
Tier 1 (as a percentage of risk weighted assets)	18.03%	
Total capital (as a percentage of risk weighted assets)	19.14%	
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%)	276,065	
National Tier 1 minimum ratio (i.e. 11%)	319,654	
National total capital minimum ratio (i.e. 13% excluding CCY and D-SIB buffers)	377,773	
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 standardized approach (prior to application of cap)	158,038	a + b
Cap on inclusion of provisions in Tier 2 under standardized approach	123,673	
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 September 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 September 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	311,792	311,792	
Kuwait Government treasury bonds	201,063	201,063	
Central Bank of Kuwait bonds	140,789	140,789	
Loans and advances (net of specific provisions)	2,625,053	2,625,053	
General provisions on Loans and advances	145,988	145,988	a
Investment securities	311,546	311,546	
Investment in an associate	15,971	15,971	
Other assets	35,978	35,978	
Premises and equipment	35,208	35,208	
Total assets	3,823,388	3,823,388	
Liabilities			
Due to banks and other financial institutions	1,056,601	1,056,601	
Customers' deposits	2,132,150	2,132,150	
Other liabilities	58,655	58,655	
Specific provision on contingent liabilities	7,535	7,535	
General provision on contingent liabilities	12,050	12,050	b
Total liabilities	3,266,991	3,266,991	
Shareholders' Equity			
Share capital	161,917	161,917	c
Share premium	108,897	108,897	d
Treasury shares	(4,405)	(4,405)	e
Retained Earnings	100,447	100,447	f
Reserves	160,316	160,316	g
Interim profit	29,225	29,225	
Total shareholders' equity	556,397	556,397	

Pillar III Disclosure (continued)

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

S.N.	Item	(KD'000s)
1	Total consolidated assets as per published financial statements	3,823,388
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(3,258)
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	7,392
5	Adjustment for securities financing transactions.	–
6	Off-balance sheet exposures (i.e. credit equivalent amounts)	454,249
7	Other exposures	–
8	Total exposures in the Leverage ratio measure (i.e. total of above-mentioned items)	4,281,771

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

S.N.	Item	(KD'000s)
	On-balance sheet exposures	
	Total consolidated assets as per published financial statements	3,823,388
	Add: Cash general provision	145,988
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,969,376
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(3,258)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	3,966,118
	Derivative Exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	145
5	Add-on amounts for PFE associated with all derivatives transactions	7,247
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)	7,392
	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	1,305,684
18	(Adjustments for conversion to credit equivalent amounts)	(851,435)
19	Off-balance sheet items (sum of lines 17 and 18)	454,249
	Capital & Total Exposures	
20	Tier 1 capital	523,914
21	Total exposures (sum of lines 3, 11, 16 and 19)	4,427,759
	Leverage Ratio	
22	BASEL III Leverage Ratio	11.83%

Pillar III Disclosure (continued)

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

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