

Pillar III Disclosures – 30th June 2020

Capital Structure as at 30th June 2020	KD'000
Paid-up share capital/common stock	161,917
Reserves	426,979
Less:	
Treasury Shares	(5,135)
Other Intangibles (except Mortgage Servicing Rights)	(15,052)
Defined benefit pension fund liabilities	(203)
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Common Equity Tier I (CET)	568,506
Additional Tier I	90,750
General provisions (subject to maximum of 1.25% of total credit risk weighted assets)	44,737
Threshold Deductions arising from Investments in FIs where ownership is <= 10%	-
Tier II	44,737
Total eligible capital after deductions	703,993

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 2020	Required Capital (KD'000)
1. Claims on sovereigns	7,478
2. Claims on public sector entities (PSEs)	12,531
2. Claims on banks	21,948
3. Claims on corporate	264,382
4. Regulatory retail exposures	82,638
5. Past due exposures	22,257
6. Other exposures	54,032
Total	465,266
Less: General provision in excess of 1.25% risk weighted assets	(21,611)
Net credit risk weighted exposure	443,656
Market risk exposure	3,383
Operational risk exposure	40,018
Grand Total	487,058

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Capital Adequacy Ratios:

Tier I	17.60%
CET 1	15.17%
Total	18.79%

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

Common Disclosure as at 30th June 2020	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	147,008	f
Accumulated other comprehensive income (and other reserves)	181,857	
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)	458	
Common Equity Tier 1 capital before regulatory adjustments	600,137	
Common Equity Tier 1 Capital: Regulatory Adjustments		
Dividends	(11,241)	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage- servicing rights (net of related tax liability)	(15,052)	
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	(203)	
Investments in own shares(if not netted off paid-in capital on reported balance sheet)	(5,135)	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	(31,631)
Common Equity Tier 1 capital (CET 1) after regulatory adjustments	568,506
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	90,750
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	90,750
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)	90,750
Tier 1 capital (T1 = CET1 + AT1)	659,256

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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	44,737
Tier 2 capital before regulatory adjustments	44,737
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)	44,737
Total capital (TC = T1 + T2)	703,993
Total risk weighted assets	3,746,595
Capital Ratios and Buffers	
Common Equity Tier 1 (as a percentage of risk weighted assets)	15.17%
Tier 1 (as a percentage of risk weighted assets)	17.60%
Total capital (as a percentage of risk weighted assets)	18.79%
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)	13.00%
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%)	355,927
National Tier 1 minimum ratio (i.e. 11%)	412,125
National total capital minimum ratio (i.e. 13% excluding CCY and D-SIB buffers)	487,057

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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)	210,973	b-a
Cap on inclusion of provisions in Tier 2 under standardized approach	166,236	
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	-	

Reconciliation as at 30th June 2020

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	746,411	746,411	
Kuwait Government treasury bonds	134,860	134,860	
Central Bank of Kuwait bonds	138,068	138,068	
Loans and advances (net of specific provisions)	3,439,679	3,439,679	
General provisions on Loans and advances	(198,819)	(198,819)	a
Investment securities	297,893	297,893	
Investment in an associate	24,989	24,989	
Other assets	65,744	65,744	
Intangible Assets	18,764	18,764	
Premises and equipment	65,080	65,080	
Total assets	4,732,669	4,732,669	

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Liabilities			
Due to banks and other financial institutions	390,424	390,424	
Customers' deposits	3,409,274	3,409,274	
Medium Term Borrowings	153,666	153,666	
Other liabilities	100,907	100,907	
Specific provision on contingent liabilities	7,067	7,067	
General provision on contingent liabilities	12,154	12,154	b
Total liabilities	4,073,492	4,073,492	
Shareholders' Equity			
Share capital	161,917	161,917	c
Share premium	108,897	108,897	d
Treasury shares	(5,135)	(5,135)	e
Retained Earnings	147,008	147,008	f
Reserves	143,249	143,249	
Perpetual Tier 1 capital securities	90,750	90,750	
Non-controlling interests	1,250	1,250	
Proposed dividend	11,241	11,241	
Total shareholders' equity	659,177	659,177	

Gross credit risk exposure as at 30th June 2020

(Gross outstanding before any risk mitigation)	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
1. Cash items	53,013	-	53,013
2. Claims on sovereigns	817,052	10,419	827,471
3. Claims on public sector entities (PSEs)	177,492	1,814	179,306
4. Claims on banks	448,169	257,448	705,617
5. Claims on corporate	2,238,228	700,377	2,938,605
6. Regulatory retail exposures	683,072	22,216	705,288
7. Past due exposures	172,659	12,545	185,204
8. Other exposures	331,484	4,705	336,189
Total	4,921,169	1,009,525	5,930,694

Gross credit risk exposure - average balance as of 30th June 2020

(Gross outstanding before any risk mitigation)	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
1. Cash items	40,930	-	40,930
2. Claims on sovereigns	845,409	8,213	853,622
3. Claims on public sector entities (PSEs)	149,660	1	149,662
4. Claims on banks	576,931	405,984	982,915
5. Claims on corporate	2,265,314	759,962	3,025,276
6. Regulatory retail exposures	681,278	15,215	696,493
7. Past due exposures	100,555	420	100,975
8. Other exposures	357,884	1,331	359,215
Total	5,017,962	1,191,127	6,209,088

Geographic distribution – all exposures as of 30th June 2020

(KD'000s)

	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total
1. Cash items	36,548	16,465	-	-	-	-	53,013
2. Claims on sovereigns	548,392	256,109	-	-	-	22,970	827,471
3. Claims on public sector entities (PSEs)	21,002	140,467	4,617	-	-	13,220	179,306
4. Claims on banks	213,014	273,006	62,337	7,472	138,627	11,161	705,617
5. Claims on corporate	1,937,444	860,109	29,837	13,827	74,896	22,492	2,938,605
6. Regulatory retail exposures	535,942	169,057	40	-	144	105	705,288
7. Past due exposures	162,137	23,064	1	-	1	-	185,204
8. Other exposures	270,284	65,461	1	-	32	411	336,189
Total	3,724,765	1,803,738	96,833	21,299	213,700	70,359	5,930,694

Geographic distribution – funded exposures as of 30th June 2020							(KD'000s)	
	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total	
1. Cash items	36,548	16,465	-	-	-	-	53,013	
2. Claims on sovereigns	537,973	256,109	-	-	-	22,970	817,052	
3. Claims on public sector entities (PSEs)	21,000	138,655	4,617	-	-	13,220	177,492	
4. Claims on banks	210,179	193,501	15,867	6,936	10,524	11,161	448,169	
5. Claims on corporate	1,563,462	626,098	2,128	-	27,280	19,260	2,238,228	
6. Regulatory retail exposures	532,424	150,361	39	-	144	105	683,072	
7. Past due exposures	153,630	19,026	1	-	1	-	172,659	
8. Other exposures	275,004	56,037	1	-	32	411	331,484	
Total	3,330,221	1,456,251	22,653	6,936	37,981	67,127	4,921,169	

Geographic distribution – unfunded exposures as of 30th June 2020							(KD'000s)	
	Domestic (Kuwait)	Other Middle East	Europe	USA	Asia Pacific	Rest of World	Total	
1. Claims on sovereigns	10,419	-	-	-	-	-	10,419	
2. Claims on public sector entities (PSEs)	2	1,812	-	-	-	-	1,814	
3. Claims on banks	389	81,950	46,470	536	128,103	-	257,448	
4. Claims on corporate	518,977	89,513	30,444	13,827	47,616	-	700,377	
5. Regulatory retail exposures	3,519	18,696	1	-	-	-	22,216	
6. Past due exposures	8,792	3,753	-	-	-	-	12,545	
7. Other exposures	3,222	1,483	-	-	-	-	4,705	
Total	545,321	197,207	76,915	14,363	175,719	-	1,009,525	

Gross credit exposure – residual contractual maturity as at 30th June 2020

	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	51,600	-	1,413	-	53,013
2. Claims on sovereigns	400,703	228,320	173,909	24,540	827,471
3. Claims on public sector entities (PSEs)	24,143	63,251	89,916	1,997	179,306
4. Claims on banks	400,135	193,957	111,431	93	705,617
5. Claims on corporate	489,391	1,510,290	818,169	120,756	2,938,605
6. Regulatory retail exposures	30,908	94,366	169,167	410,847	705,288
7. Past due exposures	124,355	1,585	58,651	614	185,204
8. Other exposures	205,790	45,020	61,217	24,162	336,189
Total	1,727,025	2,136,788	1,483,871	583,009	5,930,694

Impaired credit facilities and provision – by category as at 30th June 2020

	NPL (KD'000s)	Specific provision (KD'000s)	General provision (KD'000s)	Specific provision charge (KD'000s)
1. Claims on banks	-	-	672	-
2. Claims on corporate	191,446	29,826	205,124	23,985
3. Regulatory retail exposures	20,112	8,074	5,177	6,235
Total	211,558	37,900	210,973	30,220

Impaired credit facilities and provision – by geographic area as at 30th June 2020

	NPL (KD'000s)	Specific provision (KD'000s)	General provision (KD'000s)
Domestic (Kuwait)	165,862	26,255	196,771
Other Middle East	45,696	11,645	13,463
Europe	-	-	65
USA	-	-	-
Asia Pacific	-	-	323
Rest of World	-	-	351
Total	211,558	37,900	210,973

Movement in provisions for credit facilities impairment as at 30th June 2020

	Funded (KD'000s)	Unfunded (KD'000s)	Total (KD'000s)
Provisions as on 1st January 2019	194,522	18,645	213,167
Exchange difference	270	74	345
Amounts written off during the year (net of recoveries)	(2,474)	-	(2,474)
Charge for the year	37,333	502	37,835
Provisions as at 30th June 2020	229,652	19,221	248,873

Risk weighted exposure post credit conversion and risk mitigation as at 30th June 2020

	Rated (KD'000s)	Unrated (KD'000s)	Total (KD'000s)
1. Claims on sovereigns	52,435	5,085	57,520
2. Claims on public sector entities (PSEs)	71,019	25,375	96,394
3. Claims on banks	148,705	20,127	168,832
4. Claims on corporate	13,041	2,020,665	2,033,706
5. Regulatory retail exposures	-	635,674	635,674
6. Past due exposures	-	171,211	171,211
7. Other exposures	-	415,634	415,634
Total	285,200	3,293,771	3,578,971

Collateralized Credit Exposure with eligible collateral as at 30th June 2020

	Gross Credit Exposure (KD'000s)	Collateralized Exposure (KD'000s)	Financial Collaterals (KD'000s)	Bank Guarantees (KD'000s)	Real Estate (KD'000s)
1. Cash items	53,013	-	-	-	-
2. Claims on sovereigns	827,471	-	-	-	-
3. Claims on public sector entities (PSEs)	179,306	5,085	655	-	-
4. Claims on banks	705,617	-	-	-	-
5. Claims on corporate	2,938,605	1,303,369	524,491	12,371	-
6. Regulatory retail exposures	705,288	176,332	53,043	-	-
7. Past due exposures	185,204	65,027	6,209	-	-
8. Other exposures	336,189	33,875	6,373	-	-
Total	5,930,694	1,583,688	590,771	12,371	-

Credit risk exposure after credit conversion factor and CRM as at 30th June 2020

	Before CRM (KD'000s)	CRM (KD'000s)	Net exposure (KD'000s)
1. Cash items	53,013	-	53,013
2. Claims on sovereigns	817,156	-	817,156
3. Claims on public sector entities (PSEs)	178,089	(655)	177,434
4a. Claims on banks - rated	464,309	-	464,309
4b. Claims on banks - unrated	76,972	-	76,972
5. Claims on corporate	2,579,270	(536,862)	2,042,408
6. Regulatory retail exposures	694,685	(53,044)	641,641
7. Past due exposures	178,629	(6,208)	172,421
8. Other exposures	334,124	(6,374)	327,750
Total	5,376,247	(603,142)	4,773,104

Capital requirements for market risk exposures as at 30th June 2020

	Required Capital (KD'000s)
1. Equities position risk	2,947
2. Foreign exchange risk	436
Minimum capital required for market risk	3,383

Capital requirements for operational risk exposures as at 30th June 2020

	Required Capital (KD'000s)
1. Trading and sales	7,627
2. Commercial banking	26,306
3. Retail banking	6,084
4. Asset management	-
Minimum capital required for operational risk	40,018

Total value of investments disclosed in the consolidated statement of financial position as at 30th June 2020

	Total (KD'000s)	Quoted (KD'000s)	Unquoted (KD'000s)
Investment securities – available for sale	252,553	129,368	123,186

Total Investment gains as at 30th June 2020

	Total (KD'000s)
Realised gains recorded in the consolidated statement of income	(583)
Unrealised gains recorded in the consolidated statement of changes in shareholders' equity	17,782
100% of the above included in Tier 1 Capital	17,782

Capital requirement for the investments as at 30th June 2020

	Capital requirement (KD'000s)
Investment securities–available for sale	1,394

Interest rate risk in banking book (IRRBB) as at 30th June 2020

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

Total Value of Remuneration Awards for the Half Year 2019	No of Employees	Unrestricted (In KD'000s)	Deferred (In KD'000s)
Fixed remuneration			
– Cash-based	53	1,695	Nil
– Other	53	138	Nil
Variable remuneration			
– Cash-based	53	472	157

	Senior Management			Material Risk Takers			Financial & Control Function		
	No	%	KD	No	%	KD	No	%	KD
Variable	13	25%	156	24	45%	312	16	30%	161
Guaranteed Bonus	13	25%	43	24	45%	75	16	30%	42
Sign-on Awards	1	-	20	-	-	-	-	-	-
End of service Payments	-	-	-	1	100%	97	-	-	-

Table (2): Summary comparison of accounting assets vs total leverage ratio exposure as at 30th June 2020

S.N.	Item	(KD'000s)
1	Total consolidated assets as per published financial statements	4,732,669
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	1,066
5	Adjustment for securities financing transactions.	-
6	Off-balance sheet exposures (i.e. credit equivalent amounts)	483,705
7	Other exposures	-
8	Total exposures in the Leverage ratio measure (i.e. total of above-mentioned items)	5,217,440

Table (3): Leverage ratio common disclosure as at 30th June 2020

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)	4,931,488
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) ⁶	4,931,488
	Derivative Exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	248

Table (3): Leverage ratio common disclosure as at 30th June 2020

S.N.	Item	(KD'000s)
5	Add-on amounts for PFE associated with all derivatives transactions	818
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)	1,066
	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	1,235,426
18	(Adjustments for conversion to credit equivalent amounts)	(751,721)
19	Off-balance sheet items (sum of lines 17 and 18)	483,705
	Capital & Total Exposures	
20	Tier 1 capital	659,256
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,416,259
	Leverage Ratio	
22	BASEL III Leverage Ratio	12.17%

The main features table includes information on the amount recognized in regulatory capital as at 30th June 2020 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

Main features of Regulatory Capital Instruments

32	If write-down, permanent or temporary	N/A
33	If temporary write-down, description of write-up mechanism	N/A
	Position in subordinated hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	N/A
36		
