



The Commercial Bank of Kuwait Group

**Consolidated Public Disclosures on
Capital Adequacy Standard**

31 March 2015



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The following detailed quantitative public disclosures are being provided in accordance with Central Bank of Kuwait (CBK) rules and regulations on Capital Adequacy Standard Basel III issued through Circular No. 2/BS/IBS/336/2014 on June 24, 2014. These disclosure requirements shall enable and allow market participants to assess key pieces of information about a licensed bank's exposure to risks and provides a consistent and understandable disclosure framework that enhances comparability.

I Subsidiaries and significant investments

The Commercial Bank of Kuwait K.P.S.C (the "Bank") has a subsidiary, Al-Tijari Financial Brokerage Company K.S.C (Closed) (Formerly Union Securities Brokerage Company K.S.C. (Closed)) - (80% owned) engaged in brokerage services and owns a 32.26% interest in Al Cham Islamic Bank S.A (an associate), a private bank incorporated in Republic of Syria engaged in Islamic banking activities.

The Bank and its subsidiary are collectively referred to as "the Group".

II Capital structure

The Group has the following components of Tier 1 and Tier 2 capital base:

	31 March 2015 KD 000's
a. Tier 1 capital consist of:	
i. Common equity tier 1 (CET1)	
1. Paid-up share capital	141,194
2. Proposed bonus shares	-
3. Share premium	66,791
4. Retained earnings	132,646
5. Investment valuation reserve	30,129
6. Property revaluation reserve	24,947
7. Statutory reserve	70,597
8. General reserve	17,927
9. Treasury shares reserve	45,380
10. Other intangibles	(9,809)
11. Treasury shares	-
12. Non significant investments in banking, financial and insurance entities	-
13. Significant investments in banking, financial and insurance entities	(24,881)
Total	494,921
ii. Additional tier 1	
1. Non-controlling interests in consolidated subsidiaries	1,069
Total	1,069
Total tier 1 capital	495,990





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PUBLIC DISCLOSURES ON CAPITAL ADEQUACY STANDARD
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	31 March 2015 KD 000's
b. Tier 2 capital.	
1. General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	33,215
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Total tier 2 capital	33,215
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Total eligible capital	529,205
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III Capital adequacy

A. Capital requirement

	31 March 2015 KD 000's		
	Gross exposures	Net risk weighted assets	Capital requirement
a. Credit risk			
1. Claims on sovereigns	381,953	-	-
2. Claims on international organisations	-	-	-
3. Claims on PSEs	-	-	-
4. Claims on MDBs	13,560	6,780	881
5. Claims on banks	1,373,777	346,720	45,074
6. Claims on corporates	2,625,984	1,503,376	195,439
7. Claims on central counter parties	-	-	-
8. Cash items	65,545	-	-
9. Regulatory retail	488,525	444,394	57,771
10. RHLs eligible for 35% RW	-	-	-
11. Past due exposure	12,930	6,396	831
12. Other assets	278,017	314,961	40,946
13. Claims on securitised assets	-	-	-
	<hr/>	<hr/>	<hr/>
Total	5,240,291	2,622,627	340,942
	<hr/>	<hr/>	<hr/>
b. Market risk			
1. Interest rate position risk	-	-	-
2. Equities position risk	-	-	-
3. Foreign exchange risk	5,612	5,612	730
4. Commodities risk	-	-	-
5. Options	-	-	-
	<hr/>	<hr/>	<hr/>
Total	5,612	5,612	730
	<hr/>	<hr/>	<hr/>
c. Operational risk	125,113	225,242	29,281
	<hr/>	<hr/>	<hr/>
Total	5,371,016	2,853,481	370,953
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	31 March 2015 KD 000's	
B. Capital ratios		
1. Total capital ratio	18.55%	
2. Tier 1 capital ratio	17.38%	
3. CET 1 capital ratio	17.34%	
C. Additional capital disclosure		
1. Common disclosure template	31 March 2015 KD 000's	Cross reference from consolidated regulatory financial position
Common Equity Tier 1 capital: Instruments and Reserves		
1 Directly issued qualifying common share capital plus related share premium	207,985	h+j
2 Retained earnings	132,646	p
3 Accumulated other comprehensive income (and other reserves)	188,980	k+l+m+n+o
4 Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5 Common share capital issued by subsidiaries and held by third parties (minority interest)	-	
6 Common Equity Tier 1 capital before regulatory adjustments	<u>529,611</u>	
Common Equity Tier 1 Capital: Regulatory Adjustments		
7 Prudential valuation adjustments	-	
8 Goodwill (net of related tax liability)	-	
9 Other intangibles other than mortgage-servicing rights (net of related tax liability)	9,809	f
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11 Cash-flow hedge reserve	-	
12 Shortfall of provisions to expected losses (based on the Internal Models Approach, if applied)	-	
13 Securitization gain on sale	-	
14 Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15 Defined-benefit pension fund net assets	-	
16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	i
17 Reciprocal cross-holdings in common equity of banks, FIs, and insurance entities	-	
18 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 CET1 capital)	-	
19 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 CET1 capital)	24,881	c
20 Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	





	31 March 2015 KD 000's	Cross reference from consolidated regulatory financial position
	Component of capital disclosure template	
22 Amount exceeding the 15% threshold	-	
23 of which: significant investments in the common stock of financials	-	
24 of which: mortgage servicing rights	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments	-	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28 Total regulatory adjustments to Common equity Tier 1	<u>34,690</u>	
29 Common Equity Tier 1 capital (CET1) after regulatory adjustments	<u>494,921</u>	
Additional Tier 1 Capital: Instruments		
30 Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31 of which: classified as equity under applicable accounting standards	-	
32 of which: classified as liabilities under applicable accounting standards	-	
33 Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34 Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	1,069	q
35 of which: instruments issued by subsidiaries subject to phase-out	-	
36 Additional Tier 1 capital before regulatory adjustments	<u>1,069</u>	
Additional Tier 1 Capital: Regulatory Adjustments		
37 Investments in own Additional Tier 1 instruments	-	
38 Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39 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 (amount above 10% threshold)	-	
40 Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41 National specific regulatory adjustments	-	
42 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43 Total regulatory adjustments to Additional Tier 1 capital	-	
44 Additional Tier 1 capital (AT1)	<u>1,069</u>	
45 Tier 1 capital (T1 = CET1 + AT1)	<u>495,990</u>	
Tier 2 Capital: Instruments and Provisions		
46 Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47 Directly issued capital instruments subject to phase-out from Tier 2	-	
48 Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49 of which: instruments issued by subsidiaries subject to phase-out	-	
50 General Provisions included in Tier 2 capital	33,215	b
51 Tier 2 capital before regulatory adjustments	<u>33,215</u>	
Tier 2 Capital: Regulatory Adjustments		
52 Investments in own Tier 2 instruments	-	
53 Reciprocal cross-holdings in Tier 2 instruments	-	





	31 March 2015 KD 000's	Cross reference from consolidated regulatory financial position
	Component of capital disclosure template	
54 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 (amount above the 10% threshold)	-	
55 Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56 National specific regulatory adjustments	-	
57 Total regulatory adjustments to Tier 2 capital	-	
58 Tier 2 capital (T2)	<u>33,215</u>	
59 Total capital (TC = T1 + T2)	<u>529,205</u>	
	<u>2,853,481</u>	
60 Total risk weighted assets	<u>2,853,481</u>	
Capital Ratios and Buffers		
61 Common Equity Tier 1 (as a percentage of risk weighted assets)	17.34%	
62 Tier 1 (as a percentage of risk weighted assets)	17.38%	
63 Total capital (as a percentage of risk weighted assets)	18.55%	
64 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)	-	
65 of which: capital conservation buffer requirement	-	
66 of which: bank specific countercyclical buffer requirement	-	
67 of which: D-SIB buffer requirement	-	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-	
National Minima		
69 National Common Equity Tier 1 minimum ratio	9.50%	
70 National Tier 1 minimum ratio	11.00%	
71 National total capital minimum ratio excluding CCY and DSIB buffers	13.00%	
Amounts below the Thresholds for Deduction (before Risk Weighting)		
72 Non-significant investments in the capital of financial institutions	45,978	e
73 Significant investments in the common stock of financial institutions	51,980	d
74 Mortgage servicing rights (net of related tax liability)	-	
75 Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable Caps on the Inclusion of Provisions in Tier 2		
76 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	67,808	a+g
77 Cap on inclusion of provisions in Tier 2 under standardized approach	33,215	b
78 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	





2. Consolidated financial position under financial accounting and regulatory scope of consolidation

The basis of consolidation used to prepare consolidated financial position under International Financial Reporting Standards (IFRSs) is consistent with those used for regulatory purpose. The basis of consolidation is explained in note 2(b) of the annual consolidated financial statement. There is no difference between the consolidated financial position and the consolidated regulatory financial position.

Consolidated regulatory financial position are as follows:

	31 March 2015		
	KD 000's		
	Consolidated regulatory financial position	Component used in capital disclosure template	Cross reference to common disclosure template
Assets			
Cash and short term funds	819,808		
Treasury and Central Bank bonds	325,414		
Due from banks and other financial institutions	436,273		
Loans and advances	2,228,939		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		63,410	a
Of which: Cap on inclusion of general provisions in Tier 2		33,215	b
Investment securities	227,539		
Of which: significant investment in the capital of financial institutions (amount above 10% threshold of bank's CET1 capital)		24,881	c
Of which: significant investment in the capital of financial institutions (amount below 10% threshold of bank's CET1 capital)		51,980	d
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		45,978	e
Premises and equipment	30,351		
Intangible assets	9,809	9,809	f
Other assets	21,238		
Total assets	4,099,371		
Liabilities and equity			
Liabilities			
Due to banks	225,771		
Due to other financial institutions	610,157		
Customer deposits	2,582,274		
Other liabilities	118,751		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		4,398	g
Total liabilities	3,536,953		





31 March 2015

	31 March 2015		Cross reference to common disclosure template
	Consolidated regulatory financial position	Component used in capital disclosure template	
	KD 000's		
Equity			
Equity attributable to shareholders of the Bank			
Share capital	141,194	141,194	h
Treasury shares	-	-	i
Reserves	255,771		
of which: share premium		66,791	j
of which: statutory reserve		70,597	k
of which: general reserve		17,927	l
of which: treasury share reserve		45,380	m
of which: property revaluation reserve		24,947	n
of which: investment valuation reserve		30,129	o
Retained earnings	138,969	132,646	p
	535,934		
Proposed dividend	25,415		
	561,349		
Non-controlling interests	1,069	1,069	q
Total equity	562,418		
Total liabilities and equity	4,099,371		





3. Main features of capital instrument issued

1 Issuer	Commercial Bank of Kuwait
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	CBK
3 Governing law(s) of the instrument	Kuwait Law
Regulatory treatment	
4 Type of Capital (CET1, AT1 or T2)	Common equity tier 1
5 Eligible at solo/group/group & solo	Group
6 Instrument type	Ordinary shares
7 Amount recognized in regulatory capital (KD '000')	KD 141,194
8 Par value of instrument	100 fils
9 Accounting classification	Shareholders' equity
10 Original date of issuance	19 June 1960
11 Perpetual or dated	Perpetual
12 Original maturity date	No maturity
13 Issuer call subject to prior supervisory approval	No
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	Floating
17 Coupon rate and any related index	N/A
18 Existence of a dividend stopper	No
19 Fully discretionary, partially discretionary or mandatory	Fully discretionary
20 Existence of step up or other incentive to redeem	No
21 Noncumulative or cumulative	Noncumulative
22 Convertible or non-convertible	Nonconvertible
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 subordination 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





IV Financial Leverage ratio

The financial leverage ratio is being provided in accordance with CBK circular No. 2/BS/342/2014 dated October 21, 2014. The application of this disclosure is intended to restrict the build up of financial leverage in the banking sector that leads to stress on the financial system and the economy in general. The financial leverage ratio is measure of Basel III tier 1 capital divided by total on and off balance sheet exposures of the Group.

	31 March 2015 KD 000's
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,099,371
2 (Asset amounts deducted in determining Tier 1 capital)	<u>(34,690)</u>
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	<u>4,064,681</u>
4 Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	4,176
5 Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	13,374
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the bank's operative accounting framework	-
7 (Deductions of receivables assets for cash variation margin provided in derivative transactions)	-
8 (Exempted exposures to Central Counterparties (CCP))	-
9 Adjusted effective notional amount of written credit derivatives	-
10 Adjusted effective notional offsets and add-on deductions for written credit derivatives	<u>-</u>
11 Total derivative exposures	<u>17,550</u>
12 Gross SFT assets (with no recognition of netting)	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14 CCR exposures for SFT assets	-
15 Exposure of the bank in its capacity as agent in the securities finance transaction (SFT)	<u>-</u>
16 Total securities financing transaction exposures	<u>-</u>
17 Off-balance sheet exposure (before application of credit conversion factors)	1,142,200
18 (Adjustments for conversion to credit equivalent amounts)	<u>(626,283)</u>
19 Total Off-balance sheet exposure	<u>515,917</u>
20 Total exposures	<u>4,598,148</u>
21 Tier 1 capital	<u>495,990</u>
22 Leverage ratio (Tier 1 capital / total exposures)	<u>10.79%</u>

