

National Bank of Kuwait Group



Capital and Leverage Disclosures (Basel III)

September 2018

Risk Management Disclosures

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I. Composition of Capital

1. Composition of Regulatory Capital

For regulatory purposes, the capital base is divided into:

- i. Common Equity Tier 1
- ii. Tier 1 Capital
- iii. Total Capital

Common Equity Tier 1 capital comprises shareholders' equity, retained earnings, eligible reserves and related eligible non-controlling interests. The book values of Goodwill and Intangibles are deducted along with other regulatory adjustments.

Tier 1 Capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital which includes eligible Perpetual Tier 1 Securities and eligible portion of non-controlling interests.

Total Regulatory Capital includes Tier 1 capital and Tier 2 capital which consists of the allowed portions of general provisions and certain additional eligible non-controlling interests.

The below table summarizes the composition of capital and ratios:

| Table 1 | KD 000s |
|--|----------------|
| Common Equity Tier 1 capital (CET1) | 2,352,180 |
| Additional Tier 1 capital (AT1) | 255,881 |
| Tier 1 capital (T1 = CET1 + AT1) | 2,608,061 |
| Tier 2 capital (T2) | 343,408 |
| Total capital (TC = T1 + T2) | 2,951,469 |
| Total risk-weighted assets | 17,128,494 |
| Capital ratios and buffers | |
| Common Equity Tier 1 (as percentage of risk-weighted assets) | 13.7% |
| Tier 1 (as percentage of risk-weighted assets) | 15.2% |
| Total capital (as percentage of risk-weighted assets) | 17.2% |
| National minima | |
| Common Equity Tier 1 minimum ratio including Capital Conservation Buffer | 9.5% |
| Tier 1 minimum ratio | 11.0% |
| Total capital minimum ratio excluding CCY and D-SIB buffers | 13.0% |

A detailed breakdown of the Group's regulatory capital position under the Common Disclosures template as stipulated under the Pillar 3 section of the CBK Basel III Capital Adequacy framework is presented in Table 7 of the Appendices Section.

2. Reconciliation requirements

The basis for the scope of consolidation for accounting and regulatory purposes is consistent for the Group.

In order to provide a full reconciliation of all regulatory capital elements to the balance sheet in the financial statements, a three step approach has been mandated under the Pillar III disclosures section of the CBK Basel III framework.

The below Table 2 provides the comparison (Step1) of the balance sheet published in the interim condensed consolidated financial statement and the balance sheet under the regulatory scope of consolidation. Lines have been expanded and referenced with letters (Step 2) to display the relevant items of the regulatory capital.

Table 2: Step 1 and 2 of Reconciliation requirements

| Item | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Reference |
|---|---|--|-----------|
| | 30-Sep-18 | 30-Sep-18 | |
| Assets | | | |
| Cash and short term funds | 2,944,212 | 2,944,212 | |
| Central Bank of Kuwait bonds | 798,367 | 798,367 | |
| Kuwait Government treasury bonds | 868,407 | 868,407 | |
| Deposits with banks | 2,306,206 | 2,306,206 | |
| Loans, advances and Islamic financing to customers | 15,407,046 | 15,407,046 | |
| of which General Provisions(netted above) capped for Tier 2 inclusion | 195,294 | 195,294 | a |
| Investment securities | 3,565,964 | 3,565,964 | |
| Investment in associates | 33,760 | 33,760 | |
| of which goodwill deducted from CET1 Capital | 2,613 | 2,613 | b |
| Land, premises and equipment | 352,114 | 352,114 | |
| Goodwill and other intangible assets | 579,708 | 579,708 | |
| of which goodwill deducted from CET1 Capital | 398,019 | 398,019 | c |
| of which other intangibles deducted from CET1 Capital | 181,689 | 181,689 | d |
| Other assets | 269,932 | 269,932 | |
| Total assets | 27,125,716 | 27,125,716 | |
| Liabilities | | | |
| Due to banks and other financial institutions | 8,010,029 | 8,010,029 | |
| Customers deposits | 14,069,599 | 14,069,599 | |
| Certificates of deposit issued | 619,871 | 619,871 | |
| Global Medium Term Notes | 216,247 | 216,247 | |
| Subordinated Tier 2 bonds | 124,759 | 124,759 | |
| Principal amount recognised in Tier 2 capital | 125,000 | 125,000 | e |
| Other liabilities | 445,807 | 445,807 | |
| Total liabilities | 23,486,312 | 23,486,312 | |
| Shareholders' Equity | | | |
| Share capital | 621,332 | 621,332 | f |
| Statutory reserve | 295,872 | 295,872 | g |
| Share premium account | 803,028 | 803,028 | h |
| Treasury shares | (65,425) | (65,425) | i |
| Treasury shares reserve | 14,010 | 14,010 | j |
| Other Reserves | 1,437,041 | 1,437,041 | |
| of which Retained Earnings eligible as CET1 Capital | 1,212,265 | 1,212,265 | k |
| of which Interim Profits | 272,395 | 272,395 | |
| of which Others eligible as CET1 Capital | (47,619) | (47,619) | l |
| Equity attributable to shareholders of the Bank | 3,105,858 | 3,105,858 | |
| Perpetual Tier 1 Capital Securities | 210,700 | 210,700 | m |
| Non-controlling interests | 322,846 | 322,846 | |
| of which Limited Recognition eligible as CET1 Capital | 101,038 | 101,038 | n |
| of which Limited Recognition eligible as AT1 Capital | 45,181 | 45,181 | o |
| of which Limited Recognition eligible as Tier 2 Capital | 23,114 | 23,114 | p |
| Total equity | 3,639,404 | 3,639,404 | |
| Total liabilities and equity | 27,125,716 | 27,125,716 | |

Table 3 below provides the relevant lines under 'Table 7: Composition of Regulatory Capital' with cross references to the letters in Table 2, thereby reconciling (Step 3) the components of regulatory capital to the published balance sheet.

Table 3: Step 3 of Reconciliation requirements

| Relevant Row Number in Common Disclosure Template | | Component of regulatory capital | Source based on reference letters of the balance sheet from step 2 |
|---|--|---------------------------------|--|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| 1 | Directly issued qualifying common share capital plus related stock surplus | 621,332 | f |
| 2 | Retained earnings | 1,212,265 | k |
| 3 | Accumulated other comprehensive income (and other reserves) | 1,065,291 | g+h+j+l |
| 5 | Common share capital issued by subsidiaries and held by third parties (minority interest) | 101,038 | n |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 2,999,926 | |
| Common Equity Tier 1 capital : regulatory adjustments | | | |
| 8 | Goodwill | (400,632) | b+c |
| 9 | Other intangibles other than mortgage-servicing rights (net of related tax liability) | (181,689) | d |
| 16 | Investments in own shares (if not already netted off paid-in capital on reported balance sheet) | (65,425) | i |
| 28 | Total regulatory adjustments to Common Equity Tier 1 | (647,746) | |
| 29 | Common Equity Tier 1 capital (CET1) | 2,352,180 | |
| Additional Tier 1 capital : instruments | | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 210,700 | m |
| 31 | of which: classified as equity under applicable accounting standards | 210,700 | |
| 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) | 45,181 | o |
| 36 | Additional Tier 1 capital before regulatory adjustments | 255,881 | |
| Additional Tier 1 capital : regulatory adjustments | | | |
| 44 | Additional Tier 1 capital (AT1) | 255,881 | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 2,608,061 | |
| Tier 2 capital : instruments and provisions | | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 125,000 | e |
| 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) | 23,114 | p |
| 50 | General Provisions included in Tier 2 Capital | 195,294 | a |
| 51 | Tier 2 capital before regulatory adjustments | 343,408 | |
| Tier 2 capital: regulatory adjustments | | | |
| 58 | Tier 2 capital (T2) | 343,498 | |
| 59 | Total capital (TC = T1 + T2) | 2,951,469 | |

II. Leverage

1. Leverage ratio

In October 2014, CBK issued the regulations on the 'Leverage ratio' introduced by BCBS as part of the regulatory reforms package. This transparent and non-risk based metric supplements the Capital ratio to act as a backstop measure to limit excessive build-up of on and off-balance sheet exposures.

The Leverage ratio is a separate, additional requirement from the risk-based capital requirement. It is defined as the 'capital' measure divided by the 'exposure' measure. The capital measure is made up of Tier 1 capital. The exposure measure is a sum of on-balance sheet assets, derivative exposures; securities finance transactions and off-balance sheet exposures.

The Group is in compliance with the requirements stipulated by CBK for the Leverage ratio set at a minimum of 3%.

The Leverage Ratio for the Group at consolidated level is:

| Table 4 | |
|---------------------------|-------------------|
| Tier 1 Capital (KD 000s) | 2,608,061 |
| Total Exposures (KD 000s) | 29,624,056 |
| Leverage Ratio (%) | 8.8% |

2. Leverage Ratio Exposures

The below Table provides the details of the Total Exposures for Leverage Ratio:

| Table 5 | |
|----------------------------|-------------------|
| Total Exposures | KD 000s |
| On-balance sheet exposures | 26,543,395 |
| Derivative exposures | 137,296 |
| Off-balance sheet items | 2,943,365 |
| Total exposures | 29,624,056 |

The details of the Leverage Ratio in the format stipulated for public disclosure under the Pillar 3 framework has been provided in Table 8 of the Appendices Section.

3. Reconciliation

The below Table provides the reconciliation of the balance sheet assets from the published financial statement with total exposure amount in the calculation of leverage ratio.

Summary comparison of accounting assets vs leverage ratio exposure measure

Table 6

| Item | | KWD 000s |
|----------|--|-------------------|
| 1 | Total consolidated assets as per published financial statements | 27,125,716 |
| 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 recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | - |
| 4 | Adjustments for derivative financial instruments | 137,296 |
| 5 | Adjustment for securities financing transactions (ie repos and similar secured lending) | - |
| 6 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 2,943,365 |
| 7 | Other adjustments | (582,321) |
| 8 | Leverage ratio exposure | 29,624,056 |

Appendices

1. Regulatory Capital Composition: Common Disclosure Template

Table 7

| Row Number | Description | KD 000s |
|--|---|-----------|
| 1 | Directly issued qualifying common share capital plus related stock surplus | 621,332 |
| 2 | Retained earnings | 1,212,265 |
| 3 | Accumulated other comprehensive income (and other reserves) | 1,065,291 |
| 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) | 101,038 |
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 2,999,926 |
| Common Equity Tier 1 capital : regulatory adjustments | | |
| 7 | Prudential valuation adjustments | |
| 8 | Goodwill (net of related tax liability) | (400,632) |
| 9 | Other intangibles other than mortgage-servicing rights (net of related tax liability) | (181,689) |
| 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 | Securitisation 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) | (65,425) |
| 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 (amount above 10% threshold) | - |
| 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, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold of bank's CET1 capital) | |
| 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) | |
| 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 | (647,746) |
| 29 | Common Equity Tier 1 capital (CET1) | 2,352,180 |
| Additional Tier 1 capital : instruments | | |

| Row Number | Description | KD 000s |
|---|--|------------|
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 210,700 |
| 31 | of which: classified as equity under applicable accounting standards | 210,700 |
| 32 | of which: classified as liabilities under applicable accounting standards | |
| 33 | <i>Directly issued capital instruments subject to phase out from Additional Tier 1</i> | |
| 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) | 45,181 |
| 35 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - |
| 36 | Additional Tier 1 capital before regulatory adjustments | 255,881 |
| 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) | 255,881 |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 2,608,061 |
| Tier 2 capital : instruments and provisions | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | 125,000 |
| 47 | <i>Directly issued capital instruments subject to phase out from Tier 2</i> | |
| 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) | 23,114 |
| 49 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - |
| 50 | General Provisions included in Tier 2 Capital | 195,294 |
| 51 | Tier 2 capital before regulatory adjustments | 343,408 |
| Tier 2 capital: regulatory adjustments | | |
| 52 | Investments in own Tier 2 instruments | |
| 53 | Reciprocal cross holdings in Tier 2 instruments | |
| 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 10% threshold) | |
| 55 | Significant investments in the capital of 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) | 343,408 |
| 59 | Total capital (TC = T1 + T2) | 2,951,469 |
| 60 | Total risk-weighted assets | 17,128,494 |

| Row Number | Description | KD 000s |
|--|---|---------|
| Capital ratios and buffers | | |
| 61 | Common Equity Tier 1 (as percentage of risk-weighted assets) | 13.7% |
| 62 | Tier 1 (as percentage of risk-weighted assets) | 15.2% |
| 63 | Total capital (as percentage of risk-weighted assets) | 17.2% |
| 64 | Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus DSIB buffer requirement expressed as a percentage of risk-weighted assets) | 11.5% |
| 65 | of which: capital conservation buffer requirement | 2.5% |
| 66 | of which: bank specific countercyclical buffer requirement | - |
| 67 | of which: DSIB buffer requirement | 2.0% |
| 68 | Common Equity Tier 1 available to meet buffers (as percentage of risk-weighted assets) | 6.7% |
| National minima | | |
| 69 | Common Equity Tier 1 minimum ratio including Capital Conservation Buffer | 9.5% |
| 70 | Tier 1 minimum ratio | 11.0% |
| 71 | Total capital minimum ratio excluding CCY and D-SIB buffers | 13.0% |
| Amounts below the thresholds for deduction(before risk weighting) | | |
| 72 | Non-significant investments in the capital of other financials | 30,333 |
| 73 | Significant investments in the common stock of financial entities | 53,197 |
| 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 standardised approach (prior to application of cap) | 430,236 |
| 77 | Cap on inclusion of allowances in Tier 2 under standardised approach | 195,294 |
| 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 on inclusion of allowances in Tier 2 under internal ratings-based approach | |

Leverage Ratio: Common Disclosure Template

Table 8

| Item | | KWD 000s |
|---|--|-------------------|
| On-balance sheet exposures | | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 27,125,716 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | (582,321) |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 26,543,395 |
| Derivative exposures | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 63,928 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 73,368 |
| 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) | 137,296 |
| Securities financing transaction exposures | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales 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 | 11,556,507 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (8,613,142) |
| 19 | Off-balance sheet items (sum of lines 17 and 18) | 2,943,365 |
| Capital and total exposures | | |
| 20 | Tier 1 capital | 2,608,061 |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19) | 29,624,056 |
| Leverage ratio | | |
| 22 | Basel III leverage ratio | 8.8% |

Regulatory Capital: Main Features Template

The Bank's share capital as at 30 September 2018 comprised 6,213,319,893 issued and fully-paid-up equity shares, and is eligible as Common Equity Tier 1 Capital at Group and Solo level. (Refer Note 7: Shareholders' equity of the Notes to Interim Condensed Consolidated Financial Information for details)

In addition, the following instruments qualify as eligible Regulatory Capital

| | | | |
|-----------------------------|---|---|--|
| 1 | Issuer | NBK Tier 1 Financing Limited | National Bank of Kuwait S.A.K.P. |
| 2 | Unique identifier | XS1206972348 | Fixed-Rate Bond: KWODI0100506 Floating-Rate Bond: KWODI0100514 |
| 3 | Governing law(s) of the instrument | English Law; except for Status of Capital Securities and Subordination which are governed by laws of Dubai International Financial Centre. | Laws of the State of Kuwait |
| Regulatory treatment | | | |
| 4 | Type of Capital | Additional Tier 1 | Tier 2 |
| 5 | Eligible at solo/ group / group & solo | Group and Solo | Group and Solo |
| 6 | Instrument type | Capital Securities by Issuer Irrevocably guaranteed by National Bank of Kuwait S.A.K.P. on Subordinated basis | Subordinated Debt |
| 7 | Amount recognised in regulatory capital | USD 700,000,000 (KD 210,700,000) | KD 125,000,000/- |
| 8 | Par value of instrument | USD 1,000/- | KD 50,000/- |
| 9 | Accounting classification | Shareholders' equity | Liability-Amortised Cost |
| 10 | Original date of issuance | 9th April 2015 | 18th November 2015 |
| 11 | Perpetual or dated | Perpetual | Dated |
| 12 | Original maturity date | No maturity | 18th November 2025 |
| 13 | Issuer call subject to prior supervisory approval | Yes | Yes |
| 14 | Optional call date, contingent call dates and redemption amount | Optional Call date: 9 April 2021; Capital Event or Tax Event Call; Principal at 100% plus Accrued Interest | Optional Call date: 18 November 2020; Capital Event or Taxation Reasons; Principal at 100% plus Accrued Interest |
| 15 | Subsequent call dates, if applicable | Semi-Annually | Semi-Annually |
| Coupons / dividends | | | |
| 16 | Fixed or floating dividend /coupon | Fixed for first 6-year period; thereafter reset every 6 years to a new fixed rate equal to the then 6-year USD mid-swap rate plus margin | Fixed Tranche: Fixed for first 5 years and reset thereafter to a new fixed rate for subsequent period. Floating Tranche: Floating rate determined semi-annually subject to a cap. |
| 17 | Coupon rate and any related index | 5.75% p.a. Fixed-Rate up to (but excluding) 9 April 2021; thereafter reset every 6 years to a new fixed rate equal to the then 6-year USD mid-swap rate plus 4.119% p.a. margin | Fixed Tranche: 4.75% p.a. Fixed for 5 years and reset thereafter to a new fixed rate of the then CBK Discount Rate plus 2.75% p.a. for subsequent period. Floating Tranche: CBK Discount Rate plus 2.50% determined semi- |

| | | | |
|----|---|---|---|
| | | | annually subject to a cap of prevailing Fixed Interest Rate plus 1% |
| 18 | Existence of a dividend stopper | Yes | No |
| 19 | Fully discretionary, partially discretionary or mandatory | Payment of Interest may be cancelled at the sole-discretion of the Issuer and the Guarantor. Mandatory cancellation upon:-Insufficient Distributable Funds on a consolidated basis-Breach of any applicable capital requirements-Regulatory requirement to cancel | Payment of Interest is Mandatory. |
| 20 | Existence of step-up or other incentive to redeem | No | No |
| 21 | Non-cumulative or cumulative | Non-cumulative | Not Applicable |
| 22 | Convertible or non-convertible | Non-convertible | Non-convertible |
| 23 | If convertible, conversion trigger (s) | Not Applicable | Not Applicable |
| 24 | If convertible, fully or partially | Not Applicable | Not Applicable |
| 25 | If convertible, conversion rate | Not Applicable | Not Applicable |
| 26 | If convertible, mandatory or optional conversion | Not Applicable | Not Applicable |
| 27 | If convertible, specify instrument type convertible into | Not Applicable | Not Applicable |
| 28 | If convertible, specify issuer of instrument it converts into | Not Applicable | Not Applicable |
| 29 | Write-down feature | Yes | Yes |
| 30 | If write-down, write-down trigger(s) | Determination by Regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency intervention to remain viable. | Determination by Regulator on grounds of non-viability or an immediate injection of capital is required, by way of emergency intervention to remain viable. |
| 31 | If write-down, full or partial | Can be partial or full | Can be partial or full |
| 32 | If write-down, permanent or temporary | Permanent | Permanent |
| 33 | If temporary write-down, description of write-up mechanism | Not Applicable | Not Applicable |
| 34 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Senior only to Ordinary Equity shares i.e. qualifying CET1 instruments | Senior only to Ordinary Equity shares and qualifying Tier 1 instruments |
| 35 | Non-compliant transitioned features | No | No |
| 36 | If yes, specify non-compliant features | Not Applicable | Not Applicable |

GLOSSARY OF TERMS

| Term | Definition |
|--|---|
| Additional Tier 1 Capital (AT1) | Additional Tier 1 Capital is a Basel III defined concept and consists of high quality capital. It essentially includes providing a permanent and unrestricted commitment of funds, is freely available to absorb losses at the point of non-viability, ranks behind the claims of depositors and other more senior creditors in the event of a wind-up, and provides for fully discretionary capital distributions. |
| Basel III | Refers to the "Capital Adequacy Ratio-Basel III for conventional banks" regulations issued by Central Bank of Kuwait Circular number 2/RB, RBA/A336/2014 dated 24 June 2014 |
| Capital Conservation Buffer (CCB) | A capital conservation buffer of 2.5% (expressed as a percentage of risk-weighted assets) has been subsumed in the Minimum Common Equity Tier 1 Capital requirement level. |
| Countercyclical Buffer(CCY) | A countercyclical buffer requirement that varies from 0% to 2.5% which, when triggered as a requirement at the discretion of Central Bank of Kuwait, is required to be met from Common Equity Tier 1 capital. |
| Common Equity Tier 1 Capital (CET1) | Common Equity Tier 1 Capital is the highest quality of capital available reflecting the permanent and unrestricted commitment of funds that are freely available to absorb losses. It essentially includes ordinary share capital, retained earnings and reserves less prescribed deductions. |
| Domestic Systemically-Important Bank Buffer(D-SIB) | A Domestic Systemically-Important Bank Buffer that varies from 0.5% to 2% required to be met in the form of Common Equity Tier 1 capital which will be determined at the level of each bank identified as systemically important by Central Bank of Kuwait on an annual basis. |
| ECAI | An External Credit Assessment Institution (ECAI) as recognised by Central Bank of Kuwait from time to time for the purposes of the assigning risk-weights to obligors under the Standardised Approach. |
| Significant Investments | Significant Investments in capital of banking, financial and insurance entities are those where the bank owns more than 10% of the issued common share capital of the issuing entity or where the entity is an affiliate of the bank. |
| Tier 2 Capital(T2) | Tier 2 Capital consists of eligible capital instruments that provide an unrestricted commitment of funds for a defined period that is available to absorb losses at the point of non-viability, subordinated to claims of depositors in the event of wind-up. Limited recognition of general provisions held against future, presently-unidentifiable losses are eligible for inclusion in Tier 2 capital. |