

Kuwait Finance House Group



بيت التمويل الكويتي
Kuwait Finance House

Basel III and Leverage Public Disclosures

September 2024

Basel III and leverage Disclosures

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Capital Adequacy Disclosures – Basel III

First: Composition of Regulatory Capital and its Balance Sheet Reconciliation

A. Composition of Regulatory Capital

1. The bank's regulatory capital is composed from:

A. Tier 1 (T1) capital, which is composed from:

- Common Equity Tier 1 (CET1) – comprises of shareholder's equity, retained earnings, reserves, and eligible portion of non-controlling interests.
- Additional Tier 1 (AT1) – comprises of perpetual sukuk tier 1, and eligible portion of non-controlling interests.

B. Tier 2 (T2) capital – comprises of eligible portion of non-controlling interests and eligible portion of general provisions (1.25% of credit risk-weighted assets).

KD '000s

Regulatory Capital Components	Sep-24	Sep-23
CET1: Common Equity Tier 1 Capital (Before Regulatory Adjustments)	5,977,387	5,107,945
Regulatory Adjustments for CET1	3,149,296	2,503,656
Total Common Equity Tier 1 (CET1)	2,828,091	2,604,289
Additional Tier 1 Capital (AT1)	553,224	559,331
Regulatory Adjustments for (AT1)	8,792	10,923
Total Tier 1 (T1=CET1+AT1)	3,372,523	3,152,697
Tier 2 Capital (T2)	383,034	377,825
Total Capital (TC=T1+T2)	3,755,557	3,530,522
Total Risk Weighted Assets	21,247,839	21,479,260
Capital Adequacy Ratios and Buffers		
Common Equity Tier 1 (as percentage of risk-weighted assets)	13.31%	12.12%
Tier 1 (as percentage of risk-weighted assets)	15.87%	14.68%
Total capital (as percentage of risk-weighted assets)	17.68%	16.44%
National minima		
Common Equity Tier 1 minimum ratio	11.50%	11.50%
Tier 1 minimum ratio	13.00%	13.00%
Total capital minimum ratio	15.00%	15.00%

2. Common Disclosure Template:

- The below table serves as a detailed breakdown of the bank's regulatory capital in a clear and consistent format thus enhancing the assessment of capital requirements for all risk exposures.

KD '000s

	Common Equity Tier 1 capital: instruments and reserves	Sep-24	Sep-23
1	Directly issued qualifying common share capital plus related stock surplus	5,978,291	5,088,210
2	Retained earnings	99,270	(13,816)
3	Reserves	(293,269)	(140,189)
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)	193,095	173,740
6	Proposed issue of bonus shares	-	-
7	Common Equity Tier 1 capital before regulatory adjustments	5,977,387	5,107,945
	Common Equity Tier 1 capital: regulatory adjustments		
8	Prudential valuation adjustments		
9	Goodwill (net of related tax liability)	2,061,126	2,114,902
10	Other intangibles (net of related tax liability)	266,011	306,426
11	Proposed cash dividends	-	-
12	Cash-flow hedge reserve		
13	Shortfall of provisions to expected losses		
14	Taskeek gain on sale (as set out in para 72 of these guidelines)		
15	Gains and losses due to changes in own credit risk on fair valued liabilities		
16	Defined-benefit pension fund net assets (para 68)		
17	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	822,159	82,328
18	Reciprocal cross-holdings in common equity		
19	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)		
20	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)	-	-
21	Mortgage servicing rights (amount above 10% threshold of bank's CET1 capital)		
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
23	Amount exceeding the 15% threshold		

24	of which: significant investments in the common stock of financials		
25	of which: mortgage servicing rights		
26	of which: deferred tax assets arising from temporary differences		
27	National specific regulatory adjustments		
28	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
29	Total regulatory adjustments to Common equity Tier 1	3,149,296	2,503,656
30	Common Equity Tier 1 capital (CET1)	2,828,091	2,604,289
	Additional Tier 1 capital: instruments		
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	498,247	506,076
32	of which: classified as equity under applicable accounting standards	498,247	506,076
33	of which: classified as liabilities under applicable accounting standards		
34	Directly issued capital instruments subject to phase out from Additional Tier 1		
35	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)	54,977	53,255
36	of which: instruments issued by subsidiaries subject to phase-out		
37	Additional Tier 1 capital before regulatory adjustments	553,224	559,331
	Additional Tier 1 capital: regulatory adjustments		
38	Investments in own Additional Tier 1 instruments		
39	Reciprocal cross-holdings in Additional Tier 1 instruments	8,792	10,923
40	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)		
41	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
42	National specific regulatory adjustments		
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
44	Total regulatory adjustments to Additional Tier 1 capital	8,792	10,923
45	Additional Tier 1 capital (AT1)	544,432	548,408
46	Tier 1 capital (T1 = CET1 + AT1)	3,372,523	3,152,697
	Tier 2 capital: instruments and provisions		
47	Directly issued qualifying Tier 2 instruments plus related stock surplus		
48	Directly issued capital instruments subject to phase-out from Tier 2		

49	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)	145,636	138,494
50	of which: instruments issued by subsidiaries subject to phase-out		
51	General provisions included in Tier 2 capital	237,398	239,331
52	Tier 2 capital before regulatory adjustments	383,034	377,825
	Tier 2 capital: regulatory adjustments		
53	Investments in own Tier 2 instruments		
54	Reciprocal cross-holdings in Tier 2 instruments		
55	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)		
56	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
57	National specific regulatory adjustments		
58	Total regulatory adjustments to Tier 2 capital		
59	Tier 2 capital (T2)	383,034	377,825
60	Total capital (TC = T1 + T2)	3,755,557	3,530,522
61	Total risk weighted assets (after applying 50% additional weighting)	21,247,839	21,479,260
	Capital ratios and buffers		
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.31%	12.12%
63	Tier 1 (as a percentage of risk weighted assets)	15.87%	14.68%
64	Total capital (as a percentage of risk weighted assets)	17.68%	16.44%
65	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)	11.5%	11.5%
66	of which: capital conservation buffer requirement	2.5%	2.5%
67	of which: bank specific countercyclical buffer requirement		
68	of which: D-SIB buffer requirement	2.0%	2.0%
69	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	6.31%	5.12%
	National minima		
70	National Common Equity Tier 1 minimum ratio	11.50%	11.50%
71	National Tier 1 minimum ratio	13.00%	13.00%
72	National total capital minimum ratio	15.00%	15.00%
	Amounts below the thresholds for deduction (before risk weighting)		

73	Non-significant investments in the capital of other financials		
74	Significant investments in the common stock of financials		
75	Mortgage servicing rights (net of related tax liability)		
76	Deferred tax assets arising from temporary differences (net of related tax liability)	89,551	56,245
	Applicable caps on the inclusion of provisions in Tier 2		
77	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	761,314	767,974
78	Cap on inclusion of provisions in Tier 2 under standardized approach	237,398	239,331
79	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
80	Cap for inclusion of provisions in Tier 2 under internal ratings-based		

B. Reconciliation requirements:

- The purpose of the full reconciliation of all regulatory capital elements to the balance sheet in the audited financial statements is to address any cases where calculated regulatory capital doesn't reconcile with published financial statements.
- The full reconciliation process can be broken down into two main steps.
 - o Full and detailed breakdown of the balance sheet as disclosed in the published financial statements.
 - o Mapping between components of the regulatory capital with the published financial statements.

Step 1 and 2 of Reconciliation requirements

Item	Balance sheet as in published financial statements	Under Regulatory scope of consolidation	Ref.
	Sep-24	Sep-24	
Assets			
Cash and balances with banks and financial institutions	3,665,006	3,665,006	
Due from banks	2,160,711	2,160,711	
Financing receivables	19,135,768	19,135,768	
of which General Provisions (netted above) capped for Tier 2 inclusion	237,398	237,398	A
Investment in Sukuk	6,413,779	6,413,779	
Trading properties	95,089	95,089	
Investments	300,774	300,774	
Investment in associates and joint ventures	547,100	547,100	
of which Significant investments in the common stock of banking, financial and insurance entities (amount above 10% threshold of bank's CET1 capital)	-	-	B
Investment properties	383,390	383,390	
Other Assets	863,636	863,636	
Intangible assets and goodwill	2,327,137	2,327,137	
of which goodwill	2,061,126	2,061,126	C
of which other intangibles	266,011	266,011	D
Property and equipment	366,947	366,947	
Total Assets	36,259,337	36,259,337	
Liabilities			
Due to banks	4,699,870	4,699,870	
Due to other financial institutions	3,103,416	3,103,416	
Sukuk Payable	872,972	872,972	
Depositors' accounts	19,864,999	19,864,999	
Other liabilities	1,466,463	1,466,463	
Total Liabilities	30,007,720	30,007,720	
Equity Attributable to the shareholders of the bank			
Share Capital	1,710,844	1,710,844	E
Share premium	4,267,447	4,267,447	F
Treasury shares	-822,159	-822,159	G
Reserves	215,350	215,350	
of which: statutory reserve	464,864	464,864	H
of which: voluntary reserve	205,984	205,984	I
of which: treasury share reserve	17,715	17,715	J
of which: fair value reserve	-35,868	-35,868	
of which: eligible as CET1 Capital	-38,827	-38,827	K
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-928,415	-928,415	
of which: eligible as CET1 Capital	-865,147	-865,147	L
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-91,129	-91,129	
of which: eligible as CET1 Capital	-77,858	-77,858	M
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	582,199	582,199	
of which: current year income	482,929	482,929	
of which: Modification Loss on Financing Receivable	-	-	
of which: Retained earnings from previous years	99,270	99,270	N
Proposed cash dividends	-	-	O
Total Equity Attributable to the shareholders of the bank	5,371,482	5,371,482	
Perpetual Sukuk – Tier 1	498,247	498,247	P
of which: Perpetual Sukuk – Tier 1	489,455	489,455	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	8,792	8,792	Q
Non-controlling interests	381,888	381,888	
Non-controlling interests eligible as CET1 capital	193,095	193,095	R
Non-controlling interests eligible as AT1 capital	54,977	54,977	S
Non-controlling interests eligible as Tier 2 capital	145,636	145,636	T
Total Equity	6,251,617	6,251,617	
Total Liabilities and Equity	36,259,337	36,259,337	

Item	Balance sheet as in published financial statements	Under Regulatory scope of consolidation	Ref.
	Sep-23	Sep-23	
Assets			
Cash and balances with banks and financial institutions	3,321,198	3,321,198	
Due from banks	3,251,776	3,251,776	
Financing receivables	18,994,544	18,994,544	
of which General Provisions (netted above) capped for Tier 2 inclusion	239,331	239,331	A
Investment in Sukuk	6,336,048	6,336,048	
Trading properties	107,770	107,770	
Investments	276,490	276,490	
Investment in associates and joint ventures	537,858	537,858	
Significant investments in the common stock of banking, financial and insurance entities (amount above 10% threshold of bank's CET1 capital)	-	-	B
Investment properties	359,561	359,561	
Other Assets	1,115,431	1,115,431	
Intangible assets and goodwill	2,421,328	2,421,328	
of which goodwill	2,114,902	2,114,902	C
of which other intangibles	306,426	306,426	D
Property and equipment	346,757	346,757	
Total Assets	37,068,761	37,068,761	
Liabilities			
Due to banks	4,699,300	4,699,300	
Due to other financial institutions	3,071,316	3,071,316	
Sukuk Payable	655,567	655,567	
Depositors' accounts	21,076,015	21,076,015	
Other liabilities	1,531,054	1,531,054	
Total Liabilities	31,033,252	31,033,252	
Equity Attributable to the shareholders of the bank			
Share Capital	1,476,445	1,476,445	E
Share premium	3,611,765	3,611,765	F
Treasury shares	-82,328	-82,328	G
Reserves	210,038	210,038	
of which: statutory reserve	403,348	403,348	H
of which: voluntary reserve	200,479	200,479	I
of which: treasury share reserve	15,028	15,028	J
of which: fair value reserve	-26,351	-26,351	
of which: eligible as CET1 Capital	-29,310	-29,310	K
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-758,106	-758,106	
of which: eligible as CET1 Capital	-694,838	-694,838	L
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-48,167	-48,167	
of which: eligible as CET1 Capital	-34,896	-34,896	M
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	423,807	423,807	
of which: current year income	461,531	461,531	
of which: Modification Loss on Financing Receivable	-23,908	-23,908	
of which: Retained earnings from previous years	-13,816	-13,816	N
Proposed cash dividends	-	-	O
Total Equity Attributable to the shareholders of the bank	5,215,920	5,215,920	
Perpetual Sukuk – Tier 1	506,076	506,076	P
of which: Perpetual Sukuk – Tier 1	495,153	495,153	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	10,923	10,923	Q
Non-controlling interests	313,513	313,513	
Non-controlling interests eligible as CET1 capital	173,740	173,740	R
Non-controlling interests eligible as AT1 capital	53,255	53,255	S
Non-controlling interests eligible as Tier 2 capital	138,494	138,494	T
Total Equity	6,035,509	6,035,509	
Total Liabilities and Equity	37,068,761	37,068,761	

Step 2 of Reconciliation requirements

KD '000s

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital Sep-24	Component of regulatory capital Sep-23	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	5,978,291	5,088,210	E + F
2	Retained earnings	99,270	(13,816)	N
3	Reserves	(293,269)	(140,189)	H+I+J+K+L+M
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	193,095	173,740	R
	Common Equity Tier 1 capital before regulatory adjustments	5,977,387	5,107,945	
	Common Equity Tier 1 capital: regulatory adjustments			
5	Goodwill	(2,061,126)	(2,114,902)	C
6	Other intangible assets	(266,011)	(306,426)	D
7	Treasury shares	(822,159)	(82,328)	G
8	Proposed cash dividends	-	-	O
9	Significant investments in the common stock of banking, financial and insurance entities (amount above 10% threshold of bank's CET1 capital)	-	-	B
	Total regulatory adjustments to Common Equity Tier1	(3,149,296)	(2,503,656)	
	Common Equity Tier 1 capital (CET1)	2,828,091	2,604,289	
	Additional Tier 1 capital: instruments			
10	Common share capital issued by subsidiaries and held by third parties (minority interest)	54,977	53,255	S
11	Perpetual Sukuk – Tier 1	498,247	506,076	P
	Additional Tier 1 capital before regulatory adjustments	553,224	559,331	
	Additional Tier 1 capital: regulatory adjustments			
12	Reciprocal cross-holdings in Additional Tier 1 instruments	(8,792)	(10,923)	Q
	Total regulatory adjustments to Additional Tier1 capital	(8,792)	(10,923)	
	Total Additional Tier1 capital	544,432	548,408	
	Total Tier 1 capital	3,372,523	3,152,697	
	Tier 2 capital: instruments and provisions			
13	Common share capital issued by subsidiaries and held by third parties (minority interest)	145,636	138,494	T
14	General Provisions included in Tier 2 Capital	237,398	239,331	A
	Total Tier 2 capital	383,034	377,825	
	Total capital	3,755,557	3,530,522	

Second: Financial Leverage Ratio

- In October 2014, CBK issued regulations on the Financial Leverage ratio for Islamic banks which has been implemented as of December 31, 2014.
- The purpose of this ratio is to enhance the capital adequacy requirements as the calculation of the financial leverage ratio under Basel III is limited to risk weighted assets where this ratio considers total assets on and off the balance sheet.
- Note that the minimum Financial Leverage Ratio is 3%.

KD '000s

	Leverage Ratio Components	Sep-24	Sep-23
1	Tier 1 capital	3,372,523	3,152,697
2	Total exposures	42,887,683	43,443,153
	Leverage ratio		
3	Financial leverage ratio	7.86%	7.26%