The Commercial Bank of Kuwait Group

Consolidated Public Disclosures on Capital Adequacy Standard

31 March 2017

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) - (93.55% 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 2017 KD 000's
a. Tier 1 capital consist of:	
i Common equity tier 1 (CET1)	
1. Paid-up share capital	149,666
2. Proposed bonus shares	14,967
3. Share premium	66,791
4. Retained earnings	165,190
5. Investment valuation reserve	41,252
6. Property revaluation reserve	25,282
7. Statutory reserve	115,977
8. General reserve	17,927
9. Treasury shares reserve	-
10. Other intangibles	(3,506)
11. Treasury shares	(3,740)
12. Non significant investments in banking, financial and insurance entities	-
13. Significant investments in banking, financial and insurance entities	(16,110)
Total	**573,696**
ii Additional tier 1	
1. Non-controlling interests in consolidated subsidiaries	787
Total	**787**
Total tier 1 capital	**574,483**

	31 March 2017 KD 000's
b. Tier 2 capital.	
1. General provisions (subject to a maximum of 1.25% of total credit risk weighted assets)	**38,651**
Total tier 2 capital	**38,651**
Total eligible capital	**613,134**

III Capital adequacy

A. Capital requirement

	31 March 2017 KD 000's		
	Gross exposures	**Net risk weighted assets**	**Capital requirement**
a. Credit risk			
1. Claims on sovereigns	**478,637**	**7,664**	**996**
2. Claims on international organisations	**-**	**-**	**-**
3. Claims on PSEs	**121,913**	**-**	**-**
4. Claims on MDBs	**-**	**-**	**-**
5. Claims on banks	**1,367,809**	**387,254**	**50,343**
6. Claims on corporates	**2,917,948**	**1,758,687**	**228,629**
7. Claims on central counter parties	**-**	**-**	**-**
8. Cash items	**244,410**	**-**	**-**
9. Regulatory retail	**452,487**	**437,539**	**56,880**
10. RHLs eligible for 35% RW	**-**	**-**	**-**
11. Past due exposure	**5,817**	**4,319**	**561**
12. Other assets	**317,020**	**401,827**	**52,239**
13. Claims on securitised assets	**-**	**-**	**-**
Total	**5,906,041**	**2,997,290**	**389,648**
b. Market risk			
1. Interest rate position risk	**-**	**-**	**-**
2. Equities position risk	**-**	**-**	**-**
3. Foreign exchange risk	**4,175**	**4,175**	**543**
4. Commodities risk	**-**	**-**	**-**
5. Options	**-**	**-**	**-**
Total	**4,175**	**4,175**	**543**
c. Operational risk	**130,231**	**231,455**	**30,089**
Total	**6,040,447**	**3,232,920**	**420,280**

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B. Capital ratios	
1. Total capital ratio	**18.97%**
2. Tier 1 capital ratio	**17.77%**
3. CET 1 capital ratio	**17.75%**

C. Additional capital disclosure

1. Common disclosure template

	31 March 2017 KD 000's Component of capital disclosure template	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	**216,457**	**h+k**
2 Retained earnings	**180,157**	**i+q**
3 Accumulated other comprehensive income (and other reserves)	**200,438**	**l+m+n+o+p**
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	**597,052**	
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)	**3,506**	**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)	**3,740**	**j**
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)	**16,110**	**c**
20 Mortgage servicing rights (amount above 10% threshold of bank's C ET1 capital)	-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	

	31 March 2017 KD 000's	
	Component of capital disclosure template	Cross reference from consolidated regulatory financial position
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	23,356	
29 Common Equity Tier 1 capital (CET1) after regulatory adjustments	573,696	
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)	787	r
35 of which: instruments issued by subsidiaries subject to phase-out	-	
36 Additional Tier 1 capital before regulatory adjustments	787	
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)	787	
45 Tier 1 capital (T1 = CET1 + AT1)	574,483	
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	38,651	b
51 Tier 2 capital before regulatory adjustments	38,651	
Tier 2 Capital: Regulatory Adjustments		
52 Investments in own Tier 2 instruments	-	
53 Reciprocal cross-holdings in Tier 2 instruments	-	

	31 March 2017 KD 000's Component of capital disclosure template	Cross reference from consolidated regulatory financial position
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)	38,651	
59 Total capital (TC = T1 + T2)	**613,134**	
60 Total risk weighted assets	**3,232,920**	
Capital Ratios and Buffers		
61 Common Equity Tier 1 (as a percentage of risk weighted assets)	17.75%	
62 Tier 1 (as a percentage of risk weighted assets)	17.77%	
63 Total capital (as a percentage of risk weighted assets)	18.97%	
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)	10.00%	
65 of which: capital conservation buffer requirement	2.50%	
66 of which: bank specific countercyclical buffer requirement	-	
67 of which: D-SIB buffer requirement	0.50%	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	10.75%	
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 financials institutions	50,136	e
73 Significant investments in the common stock of financials institutions	58,981	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)	133,443	a+g
77 Cap on inclusion of provisions in Tier 2 under standardized approach	38,651	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	-	

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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 2017 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	**692,649**		
Treasury and Central Bank bonds	**389,099**		
Due from banks and other financial institutions	**410,096**		
Loans and advances	**2,233,926**		
Of which: general provisions on funded exposure eligible for inclusion in Tier 2		**127,156**	**a**
Of which: Cap on inclusion of general provisions in Tier 2		**38,651**	**b**
Investment securities	**426,677**		
Of which: significant investment in the capital of financial institutions (amount above 10% threshold of bank's CET1 capital)		**16,110**	**c**
Of which: significant investment in the capital of financial institutions (amount below 10% threshold of bank's CET1 capital)		**58,981**	**d**
Of which: non significant investment in the capital of other financial institutions (amounts below the thresholds for deduction)		**50,136**	**e**
Premises and equipment	**29,440**		
Intangible assets	**3,506**	**3,506**	**f**
Other assets	**82,980**		
Total assets	**4,268,373**		
Liabilities and equity			
Liabilities			
Due to banks	**324,951**		
Due to other financial institutions	**870,410**		
Customer deposits	**2,297,267**		
Other borrowed funds	**38,125**		
Other liabilities	**120,396**		
Of which: general provisions on unfunded exposure eligible for inclusion in Tier 2		**6,287**	**g**
Total liabilities	**3,651,149**		
Equity			
Equity attributable to shareholders of the Bank			
Share capital	**149,666**	**149,666**	**h**
Proposed bonus shares	**14,967**	**14,967**	**i**
Treasury shares	**(3,740)**	**3,740**	**j**

	31 March 2017 KD 000's		
	Consolidated regulatory financial position	**Component used in capital disclosure template**	**Cross reference to common disclosure template**
Reserves	**267,229**		
of which: share premium		**66,791**	**k**
of which: statutory reserve		**115,977**	**l**
of which: general reserve		**17,927**	**m**
of which: treasury share reserve		**-**	**n**
of which: property revaluation reserve		**25,282**	**o**
of which: investment valuation reserve		**41,252**	**p**
Retained earnings	**165,985**	**165,190**	**q**
	594,107		
Proposed dividend	**22,330**		
	616,437		
Non-controlling interests	**787**	**787**	**r**
Total equity	**617,224**		
Total liabilities and equity	**4,268,373**		

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 149,666
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	
	Coupons / dividends	N/A
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	N/A
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 2017 KD 000's
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**4,268,373**
2 (Asset amounts deducted in determining Tier 1 capital)	**(19,616)**
3 Total on-balance sheet exposures (excluding derivatives and SFTs)	4,248,757
4 Replacement cost associated with all derivative transactions (net of eligible cash variation margin)	**2,088**
5 Add-on amounts for Potential Future Exposure (PFE) associated with all derivative transactions	**12,065**
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	-
11 Total derivative exposures	**14,153**
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 gent in the securities finance transaction (SFT)	-
16 Total securities financing transaction exposures	-
17 Off-balance sheet exposure (before application of credit conversion factors)	**1,558,128**
18 (Adjustments for conversion to credit equivalent amounts)	**(835,231)**
19 Total Off-balance sheet exposure	**722,897**
20 Total exposures	**4,985,807**
21 Tier 1 capital	**574,483**
22 Leverage ratio (Tier 1 capital / total exposures)	**11.52%**