

Kuwait Finance House Group



Basel III and Leverage Public Disclosures

March 2025

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	Mar-25	Mar-24
CET1: Common Equity Tier 1 Capital (Before Regulatory Adjustments)	6,431,653	6,165,127
Regulatory Adjustments for CET1	3,161,753	3,169,019
Total Common Equity Tier 1 (CET1)	3,269,900	2,996,108
Additional Tier 1 Capital (AT1)	563,139	555,012
Regulatory Adjustments for (AT1)	17,995	10,206
Total Tier 1 (T1=CET1+AT1)	3,815,044	3,540,914
Tier 2 Capital (T2)	403,729	384,570
Total Capital (TC=T1+T2)	4,218,773	3,925,484
Total Risk Weighted Assets	21,763,110	22,090,378
Capital Adequacy Ratios and Buffers		
Common Equity Tier 1 (as percentage of risk-weighted assets)	15.02%	13.56%
Tier 1 (as percentage of risk-weighted assets)	17.53%	16.03%
Total capital (as percentage of risk-weighted assets)	19.38%	17.77%
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 table below 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	Mar-25	Mar-24
1	Directly issued qualifying common share capital plus related stock surplus	6,115,159	5,978,291
2	Retained earnings	277,479	216,170
3	Reserves	-176,345	-192,189
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0	0
5	Common share capital issued by subsidiaries and held by third parties minority interest)	215,360	162,855
6	Proposed issue of bonus shares	0	0
7	Common Equity Tier 1 capital before regulatory adjustments	6,431,653	6,165,127
	Common Equity Tier 1 capital: regulatory adjustments		
8	Prudential valuation adjustments		
9	Goodwill (net of related tax liability)	2,068,615	2,069,103
10	Other intangibles (net of related tax liability)	270,979	277,757
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	822,159
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	3,161,753	3,169,019
30	Common Equity Tier 1 capital (CET1)	3,269,900	2,996,108
	Additional Tier 1 capital: instruments		
31	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	504,580	503,002
32	of which: classified as equity under applicable accounting standards	504,580	503,002
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)	58,559	52,010
36	of which: instruments issued by subsidiaries subject to phase-out		
37	Additional Tier 1 capital before regulatory adjustments	563,139	555,012
	Additional Tier 1 capital: regulatory adjustments		
38	Investments in own Additional Tier 1 instruments		
39	Reciprocal cross-holdings in Additional Tier 1 instruments	17,995	10,206
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	17,995	10,206
45	Additional Tier 1 capital (AT1)	545,144	544,806
46	Tier 1 capital (T1 = CET1 + AT1)	3,815,044	3,540,914
	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)	158,823	136,545
50	of which: instruments issued by subsidiaries subject to phase-out		
51	General provisions included in Tier 2 capital	244,906	248,025
52	Tier 2 capital before regulatory adjustments	403,729	384,570
	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)	403,729	384,570
60	Total capital (TC = T1 + T2)	4,218,773	3,925,484
61	Total risk weighted assets (after applying 50% additional weighting)	21,763,110	22,090,378
	Capital ratios and buffers		
62	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.02%	13.56%
63	Tier 1 (as a percentage of risk weighted assets)	17.53%	16.03%
64	Total capital (as a percentage of risk weighted assets)	19.38%	17.77%
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)	8.02%	6.56%
	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)	85,370	81,262
	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)	810,950	766,145
78	Cap on inclusion of provisions in Tier 2 under standardized approach	244,906	248,025
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.
	Mar-25	Mar-25	
Assets			
Cash and balances with banks and financial institutions	4,014,523	4,014,523	
Due from banks	1,838,306	1,838,306	
Financing receivables	19,278,137	19,278,137	
of which General Provisions (netted above) capped for Tier 2 inclusion	244,906	244,906	A
Investment in Sukuk	6,964,162	6,964,162	
Trading properties	92,255	92,255	
Investments	262,740	262,740	
Investment in associates and joint ventures	252,724	252,724	
Investment properties	360,812	360,812	
Other Assets	1,030,367	1,030,367	
Intangible assets and goodwill	2,339,594	2,339,594	
of which goodwill	2,068,615	2,068,615	B
of which other intangibles	270,979	270,979	C
Property and equipment	427,892	427,892	
Assets classified as held for sale	-	-	
Total Assets	36,861,512	36,861,512	
Liabilities			
Due to banks	4,576,367	4,576,367	
Due to other financial institutions	3,103,597	3,103,597	
Sukuk Payable	1,557,215	1,557,215	
Depositors' accounts	19,475,799	19,475,799	
Other liabilities	1,755,389	1,755,389	
Liabilities directly associated with the assets held for sale	-	-	
Total Liabilities	30,468,367	30,468,367	
Equity Attributable to the shareholders of the bank			
Share Capital	1,847,712	1,847,712	D
Share premium	4,267,447	4,267,447	E
Treasury shares	-822,159	-822,159	F
Reserves	195,663	195,663	
of which: statutory reserve	528,433	528,433	G
of which: voluntary reserve	269,553	269,553	H
of which: treasury share reserve	17,715	17,715	I
of which: fair value reserve	-30,969	-30,969	
of which: eligible as CET1 Capital	-33,928	-33,928	J
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-954,408	-954,408	
of which: eligible as CET1 Capital	-891,140	-891,140	K
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-80,249	-80,249	
of which: eligible as CET1 Capital	-66,978	-66,978	L
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	445,588	445,588	
of which: current year income	168,109	168,109	
of which: Modification Loss on Financing Receivable	-	-	
of which: Retained earnings from previous years	277,479	277,479	M
Proposed cash dividends	-	-	
Total Equity Attributable to the shareholders of the bank	5,488,663	5,488,663	
Perpetual Sukuk – Tier 1	504,580	504,580	N
of which: Perpetual Sukuk – Tier 1	486,585	486,585	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	17,995	17,995	O
Non-controlling interests	399,902	399,902	
Non-controlling interests eligible as CET1 capital	215,360	215,360	P
Non-controlling interests eligible as AT1 capital	58,559	58,559	Q
Non-controlling interests eligible as Tier 2 capital	158,823	158,823	R
Total Equity	6,393,145	6,393,145	
Total Liabilities and Equity	36,861,512	36,861,512	

Item	Balance sheet as in published financial statements	Under Regulatory scope of consolidation	Ref.
	Mar-24	Mar-24	
Assets			
Cash and balances with banks and financial institutions	3,283,191	3,283,191	
Due from banks	2,360,266	2,360,266	
Financing receivables	18,889,279	18,889,279	
of which General Provisions (netted above) capped for Tier 2 inclusion	248,025	248,025	A
Investment in Sukuk	6,298,280	6,298,280	
Trading properties	105,331	105,331	
Investments	312,467	312,467	
Investment in associates and joint ventures	532,970	532,970	
Investment properties	382,897	382,897	
Other Assets	995,619	995,619	
Intangible assets and goodwill	2,346,860	2,346,860	
of which goodwill	2,069,103	2,069,103	B
of which other intangibles	277,757	277,757	C
Property and equipment	354,579	354,579	
Assets classified as held for sale	1,160,966	1,160,966	
Total Assets	37,022,705	37,022,705	
Liabilities			
Due to banks	4,434,643	4,434,643	
Due to other financial institutions	3,206,891	3,206,891	
Sukuk Payable	924,388	924,388	
Depositors' accounts	20,008,098	20,008,098	
Other liabilities	1,408,769	1,408,769	
Liabilities directly associated with the assets held for sale	947,291	947,291	
Total Liabilities	30,930,080	30,930,080	
Equity Attributable to the shareholders of the bank			
Share Capital	1,710,844	1,710,844	D
Share premium	4,267,447	4,267,447	E
Treasury shares	-822,159	-822,159	F
Reserves	113,246	113,246	
of which: statutory reserve	464,864	464,864	G
of which: voluntary reserve	261,995	261,995	H
of which: treasury share reserve	17,715	17,715	I
of which: fair value reserve	-42,877	-42,877	
of which: eligible as CET1 Capital	-45,836	-45,836	J
of which: eligible as depositors accounts	2,959	2,959	
of which: revaluation reserve	-917,789	-917,789	
of which: eligible as CET1 Capital	-854,521	-854,521	K
of which: eligible as depositors accounts	-63,268	-63,268	
of which: other reserves	-49,677	-49,677	
of which: eligible as CET1 Capital	-36,406	-36,406	L
of which: eligible as depositors accounts	-13,271	-13,271	
of which: retained earnings	379,015	379,015	
of which: current year income	162,845	162,845	
of which: Modification Loss on Financing Receivable	-	-	
of which: Retained earnings from previous years	216,170	216,170	M
Proposed cash dividends	-	-	
Total Equity Attributable to the shareholders of the bank	5,269,378	5,269,378	
Perpetual Sukuk – Tier 1	503,002	503,002	N
of which: Perpetual Sukuk – Tier 1	492,796	492,796	
of which: Reciprocal cross-holdings in Additional Tier 1 instruments	10,206	10,206	O
Non-controlling interests	320,245	320,245	
Non-controlling interests eligible as CET1 capital	162,855	162,855	P
Non-controlling interests eligible as AT1 capital	52,010	52,010	Q
Non-controlling interests eligible as Tier 2 capital	136,545	136,545	R
Total Equity	6,092,625	6,092,625	
Total Liabilities and Equity	37,022,705	37,022,705	

Step 2 of Reconciliation requirements

KD '000s

	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital Mar-25	Component of regulatory capital Mar-24	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	6,115,159	5,978,291	D + E
2	Retained earnings	277,479	216,170	M
3	Reserves	-176,345	-192,189	G+H+I+J+K+L
4	Common share capital issued by subsidiaries and held by third parties (minority interest)	215,360	162,855	P
	Common Equity Tier 1 capital before regulatory adjustments	6,431,653	6,165,127	
Common Equity Tier 1 capital: regulatory adjustments				
5	Goodwill	-2,068,615	-2,069,103	B
6	Other intangible assets	-270,979	-277,757	C
7	Treasury shares	-822,159	-822,159	F
	Total regulatory adjustments to Common Equity Tier1	-3,161,753	-3,169,019	
	Common Equity Tier 1 capital (CET1)	3,269,900	2,996,108	
Additional Tier 1 capital: instruments				
10	Common share capital issued by subsidiaries and held by third parties (minority interest)	58,559	52,010	Q
11	Perpetual Sukuk – Tier 1	504,580	503,002	N
	Additional Tier 1 capital before regulatory adjustments	563,139	555,012	
Additional Tier 1 capital: regulatory adjustments				
12	Reciprocal cross-holdings in Additional Tier 1 instruments	-17,995	-10,206	O
	Total regulatory adjustments to Additional Tier1 capital	-17,995	-10,206	
	Total Additional Tier1 capital	545,144	544,806	
	Total Tier 1 capital	3,815,044	3,540,914	
Tier 2 capital: instruments and provisions				
13	Common share capital issued by subsidiaries and held by third parties (minority interest)	158,823	136,545	R
14	General Provisions included in Tier 2 Capital	244,906	248,025	A
	Total Tier 2 capital	403,729	384,570	
	Total capital	4,218,773	3,925,484	

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	Mar-25	Mar-24
1	Tier 1 capital	3,815,044	3,540,914
2	Total exposures	45,608,615	43,300,405
	Leverage ratio		
3	Financial leverage ratio	8.36%	8.18%