

Kuwait Finance House (Bahrain) B.S.C.(c)

Composition of Capital, Leverage & Liquidity Disclosures

31 December 2019



Three Step Approach to Reconciliation (Appendix PD - 2)

| (PD-A.2.10, A.2.10A,) | Balance Sheet as Published in Financial Statements | Consolidated PIRI Data | Reference - Common Disclosure Template for Capital |
|--|---|---------------------------|--|
| | As at Period End | As at Period End | |
| | (BD '000) | (BD '000) | |
| Assets | | | |
| Cash and balances with banks and Central Bank of Bahrain | 99,535 | 99,538 | |
| Due from banks | 115,216 | 115,901 | |
| Financing contracts | 913,907 | 925,298 | |
| Investments | 6,156 | 4,396 | |
| Investment Properties | - | 25,047 | |
| Investment in sukuk | 270,277 | 270,292 | |
| Investment in associates | 8,461 | 8,461 | |
| Receivables and other assets | 247,328 | 224,329 | |
| Premises and equipments | 9,553 | 9,553 | |
| - of which other intangibles | | 983 | 9 |
| Total assets | 1,670,433 | 1,682,814 | |
| Liabilities | | | |
| Customers' current accounts | 128,258 | 128,258 | |
| Due to banks | 165,471 | 167,232 | |
| Due to non-banks | 402,375 | 402,375 | |
| Other liabilities | 15,399 | 15,355 | |
| Subordinated wakala payable | 96,011 | 94,250 | |
| - of which instruments subject to phase out from Tier 2 | | 47,125 | 47 |
| Equity of Investment Account Holders | 669,260 | 669,260 | |
| Total liabilities | 1,476,774 | 1,476,730 | |
| Shareholders' Equity | | | |
| Share capital * | 132,519 | 132,519 | 1 |
| Retained earnings and unrealized gains * | 3,911 | 3,911 | 2, 3 |
| Other reserves * | 46,632 | 46,638 | 2, 3 |
| Non-controlling shareholders | 10,597 | 10,597 | |
| Expected Credit Losses (ECL) Stages 1 & 2 | - | 12,420 | |
| - of which cap on inclusion of provision in Tier 2 | | 11,727 | 50, 77 |
| Total Shareholders' Equity | 193,659 | 206,084 | |

* These amounts are eligible for CET1



Main Features of Regulatory Capital Instruments (Appendix PD - 3)

| S.No. | Description | Tier 1 | Tier 2 |
|-----------------------------|---|--|---|
| 1 | Issuer | Kuwait Finance House (Bahrain) B.S.C. (c) | Kuwait Finance House (Bahrain) B.S.C. (c) |
| 2 | Unique identifier (e.g. CUSP, ISIN or Bloomberg identifier for private placement) | N/A | N/A |
| 3 | Governing law(s) of the instrument | 1. Central Bank of Bahrain; and 2. Ministry of Industry, Commerce and Tourism | 1. Central Bank of Bahrain. |
| <i>Regulatory treatment</i> | | | |
| 4 | Transitional CBB rules | Common Equity Tier 1 | Tier 2 |
| 5 | Post-transitional CBB rules | Common Equity Tier 1 | Tier 2 |
| 6 | Eligible at solo/group/group & solo | Solo and Group | Solo and Group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Paid Up Capital, Reserves and Retained Earning | Subordinated Wakala |
| 8 | Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date) | BD 182,079 (thousands) | BD 47,125 (thousands) |
| 9 | Par value of instrument | BD 0.100 | N/A |
| 10 | Accounting classification | Shareholders' Equity | Liability - Amortised |
| 11 | Original date of issuance | January-02 | July-17 |
| 12 | Perpetual or date | Perpetual | Dated |
| 13 | Original maturity date | No Maturity | June-22 |
| 14 | Issuer call subject to prior supervisory approval | No | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | N/A | N/A |
| 16 | Subsequent call dates, if applicable | N/A | N/A |
| <i>Coupons / dividends</i> | | | |
| 17 | Fixed or floating dividend/coupon | Based on the performance of the Bank and approval of the AGM. | Floating |
| 18 | Coupon rate and any related index | N/A | 6 Month LIBOR + 1.125% per annum (Paid wakala rate for previous period) |
| 19 | Existence of a dividend stopper | No | No |
| 20 | Fully discretionary, partially discretionary or mandatory | Fully Discretionary | Mandatory |
| 21 | Existence of step up or other incentive to redeem | No | No |
| 22 | Noncumulative or cumulative | Non - Cumulative | Non - Cumulative |

| Main Features of Regulatory Capital Instruments (Appendix PD - 3) (Continued) | | | |
|---|---|--|--|
| S.No. | Description | Tier 1 | Tier 2 |
| 23 | Convertible or non-convertible | N/A | Convertible |
| 24 | If convertible, conversion trigger (s) | N/A | Common Equity Tier 1 Ratio falls below 7% or as specified by the CBB from time to time |
| 25 | If convertible, fully or partially | N/A | Partially, to restore the Common Equity Tier 1 ratio to 7%. |
| 26 | If convertible, conversion rate | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | Mandatory |
| 28 | If convertible, specify instrument type convertible into | N/A | Share Premium Account |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A |
| 30 | Write-down feature | No | No |
| 31 | If write-down, write-down trigger(s) | No | No |
| 32 | If write-down, full or partial | No | No |
| 33 | If write-down, permanent or temporary | No | No |
| 34 | If temporary write-down, description of write-up mechanism | No | No |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Residual Claim. All Liabilities (including Tier 2 instrument) and Equity of Investment Account Holders are senior to this instrument. Equity of Investment Account holders are senior to Common Equity Tier 1 in cases where the Bank is proven to be negligent to the Equity of Investment Account holders' rights. In other circumstances, Equity of Investment Account holders are pari-passu with Common Equity Tier 1. this is all subject to the actual application of relevant laws upon residual claim being made. | Subordinated. All other Liabilities are senior to this instrument. |
| 36 | Non-compliant transitioned features | No | No |
| 37 | If yes, specify non-compliant features | N/A | N/A |

Capital disclosures during the transition phase (Appendix PD - 4)

| Common Equity Tier 1 Capital: Instruments and Reserves | | |
|--|---|----------------|
| S.No. | Description | (BD '000) |
| 1 | Directly issued qualifying common share capital plus related stock surplus | 132,519 |
| 2 | Retained earnings | 27,905 |
| 3 | Accumulated other comprehensive income (and other reserves) | 22,638 |
| 4 | <i>Not applicable</i> | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1) | - |
| 6 | Common Equity Tier 1 Capital Before Regulatory Adjustments | 183,062 |
| 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) | 983 |
| 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 | - |
| 13 | Securitisation gain on sale (as set out in paragraph 562 of Basel II framework) | - |
| 14 | <i>Not applicable</i> | |
| 15 | Defined-benefit pension fund net assets | - |
| 16 | Investments in own shares | - |
| 17 | Reciprocal cross-holdings in common equity | - |
| 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) | - |
| 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) | - |
| 20 | Mortgage servicing rights (amount above 10% threshold) | - |
| 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 | CBB 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 | 983 |
| 29 | Common Equity Tier 1 Capital (CET1) | 182,079 |
| 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) | - |
| 35 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - |
| 36 | Additional Tier 1 Capital Before Regulatory Adjustments | - |



| Capital disclosures during the transition phase (Appendix PD - 4) (Continued) | | |
|---|--|------------------|
| Common Equity Tier 1 Capital: Instruments and Reserves | | |
| S.No. | Description | (BD '000) |
| 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 | CBB 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) | - |
| 45 | Tier 1 Capital (T1 = CET1 + AT1) | 182,079 |
| Tier 2 Capital: Instruments and Provisions | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | - |
| 47 | <i>Directly issued capital instruments subject to phase out from Tier 2</i> | 47,125 |
| 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 | <i>of which: instruments issued by subsidiaries subject to phase out</i> | - |
| 50 | Provisions* | 11,727 |
| 51 | Tier 2 Capital Before Regulatory Adjustments | 58,852 |
| 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 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 | CBB specific regulatory adjustments | - |
| 57 | Total Regulatory Adjustments to Tier 2 Capital | - |
| 58 | Tier 2 Capital (T2) | 58,852 |
| 59 | Total Capital (TC = T1 + T2) | 240,931 |
| 60 | Total Risk Weighted Assets | 1,134,854 |
| Capital Ratios and Buffers | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 16.04% |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 16.04% |
| 63 | Total capital (as a percentage of risk weighted assets) | 21.23% |
| 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) | 2.50% |
| 65 | of which: capital conservation buffer requirement | 2.50% |
| 66 | of which: bank specific countercyclical buffer requirement | N/A |
| 67 | of which: D-SIB buffer requirement | N/A |
| 68 | (Common Equity Tier 1 available to meet buffers [as a percentage of risk weighted assets] Note 61 less note 65 less 6.5% (minimum CET1 requirement without buffer)) | 7.04% |



| Capital disclosures during the transition phase (Appendix PD - 4) (Continued) | | |
|--|--|-----------|
| Common Equity Tier 1 Capital: Instruments and Reserves | | |
| S.No. | Description | (BD '000) |
| National Minima Including CCB (Where Different from Basel III) | | |
| 69 | CBB Common Equity Tier 1 minimum ratio | 9% |
| 70 | CBB Tier 1 minimum ratio | 10.50% |
| 71 | CBB total capital minimum ratio | 12.50% |
| Amounts Below the Thresholds for Deduction (Before Risk Weighting) | | |
| 72 | Non-significant investments in the capital of other financials | - |
| 73 | Significant investments in the common stock of financials | - |
| 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) | 12,420 |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 11,727 |
| 78 | N/A | |
| 79 | N/A | |
| Capital Instruments Subject to Phase-Out Arrangements (Only applicable between 1 Jan 2019 and 1 Jan 2023) | | |
| 80 | Current cap on CET1 instruments subject to phase out arrangements | |
| 81 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | |
| 82 | Current cap on AT1 instruments subject to phase out arrangements | |
| 83 | Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | |
| 84 | Current cap on T2 instruments subject to phase out arrangements | |
| 85 | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | |



Consolidated Leverage Ratio as of 31 December 2019

| S.No. | Description | (BD '000) |
|-------|---|------------------|
| 1 | Total Self Financed assets (1) | 1,013,554 |
| 2 | Total URIA Financed Assets (2) | 669,260 |
| 3 | Off Balance Sheet items - with relevant Credit conversion factors (3) | 49,551 |
| | Leverage ratio exposure [(1)+0.3(2) +(3)] | 1,263,883 |
| | Tier 1 Capital | 182,079 |
| | Leverage ratio | 14.41% |
| | Minimum leverage ratio as required by CBB | 3.00% |

Liquidity Coverage Ratio as of 31 December 2019

| Description | % |
|---------------------------------------|----------------|
| LCR | 810.54% |
| Minimum LCR as required by CBB | 100.00% |

