



بنك بروقان
BURGAN BANK

driven by you

Basel III – Capital and Leverage Disclosures

30 September 2018

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BASEL III - CAPITAL AND LEVERAGE DISCLOSURES



ADDITIONAL CAPITAL DISCLOSURE REQUIREMENTS

1. Common Disclosure Template – Composition of Regulatory Capital

All amounts are in KD 000's

Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	436,501
2	Retained earnings	104,222
3	Accumulated other comprehensive income (and other reserves)	91,100
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)	9,129
6	Common Equity Tier 1 capital before regulatory adjustments	640,952
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	16,763
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	17,938
10	Deferred tax assets excluding those arising from temporary differences (net of related tax liability)	
11	Cash flow hedge reserve	13,101
12	Shortfall of provisions to expected losses (based on 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)	2,518
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 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)	
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	50,320
29	Common Equity Tier 1 capital (CET1)	590,632
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	144,025
31	of which: classified as equity under applicable accounting standards	144,025
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)	1,366

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35	of which: instruments issued by subsidiaries subject to phase out	
36	Additional Tier 1 capital before regulatory adjustments	145,391
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 capital (amount above 10% threshold of bank's CET1 capital)	
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)	145,391
45	Tier 1 capital (T1 = CET1 + AT1)	736,023
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	100,000
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)	2,109
49	of which: instruments issued by subsidiaries subject to phase out	
50	General provisions included in Tier 2 capital	63,897
51	Tier 2 capital before regulatory adjustments	166,006
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 capital (amount above 10% threshold of bank's CET1 capital)	
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)	166,006
59	Total capital (TC = T1 + T2)	902,029
60	Total risk-weighted assets	5,459,535
Capital ratios and buffers		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	10.8%
62	Tier 1 (as percentage of risk-weighted assets)	13.5%
63	Total capital (as percentage of risk-weighted assets)	16.5%
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)	10.5%
65	of which: capital conservation buffer requirement	2.5%
66	of which: bank specific countercyclical buffer requirement	
67	of which: DSIB buffer requirement	1.0%
68	Common Equity Tier 1 available to meet buffers (as percentage of risk-weighted assets)	3.8%
National minima		
69	Kuwait Common Equity Tier 1 minimum ratio	9.5%
70	National Tier 1 minimum ratio	11.0%
71	National total capital minimum ratio excluding CCY and DSIB buffers	13.0%

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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 allowances in Tier 2		
76	Provision eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	220,973
77	Cap on inclusion of allowances in Tier 2 under standardised approach	63,897
78	Provision 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	

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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 interim condensed consolidated financial information, a three step approach has been mandated under the Pillar 3 disclosures section of the CBK Basel III framework.

Below table provides the comparison (Step1) of the balance sheet published in the interim condensed consolidated financial information 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.

All amounts are in KD'000s

Item	Balance sheet as in published interim condensed consolidated financial information	Under regulatory scope of consolidation	Reference
	30-Sep-18	30-Sep-18	
Assets			
Cash and cash equivalents	872,091	872,091	
Treasury bills and bonds with CBK and others	382,567	382,567	
Due from banks and other financial institutions	486,289	486,289	
Loans and advances to customers	4,155,239	4,155,239	
of which General Provisions (netted above) capped for Tier 2 inclusion	63,897	63,897	a
Investment securities	554,250	554,250	
of which goodwill in investment in associate	1,541	1,541	b
Other assets	250,655	250,655	
Property and equipment	102,621	102,621	
Intangible assets	33,160	33,160	
of which goodwill	15,222	15,222	c
of which other intangibles	17,938	17,938	d
Total assets	6,836,872	6,836,872	
Liabilities			
Due to banks	586,198	586,198	
Due to other financial institutions	890,930	890,930	
Customers deposits	3,840,908	3,840,908	
Other borrowed funds	356,542	356,542	
Directly issued qualifying Tier 2 instruments plus related stock surplus	100,000	100,000	v
Other liabilities	267,126	267,126	
Total liabilities	5,941,704	5,941,704	
Shareholders' Equity			
Share capital	225,942	225,942	e
Share premium	210,559	210,559	f
Treasury shares	(2,518)	(2,518)	g
Statutory reserve	81,815	81,815	h
Voluntary reserve	82,193	82,193	i
Treasury shares reserve	43,215	43,215	j
Investment revaluation reserve	(18,320)	(18,320)	k

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Share based compensation reserve	564	564	l
Foreign currency translation reserve	(150,652)	(150,652)	m
Other reserves	52,285	52,285	n
of which cash flow hedge reserve	13,101	13,101	w
Retained earnings	175,182	175,182	o
of which interim period profit	70,960	70,960	p
Equity attributable to shareholders of the Bank	700,265	700,265	
Perpetual Tier 1 capital securities	144,025	144,025	q
Non-controlling interests	50,878	50,878	
of which Limited Recognition eligible as CET1 Capital	9,129	9,129	r
of which Limited Recognition eligible as AT1 Capital	1,366	1,366	s
of which Limited Recognition eligible as Tier 2 Capital	2,109	2,109	t
Total equity	895,168	895,168	
Total liabilities and equity	6,836,872	6,836,872	

Below table provides the relevant lines under Common Disclosure Template - Composition of Regulatory Capital' with cross references to the letters in above Table, thereby reconciling (Step 3) the components of regulatory capital to the published balance sheet.

All amounts are in KD'000s

Relevant Row Number in Common Disclosure Template	Common Equity Tier 1 capital: instruments and reserves	Component of regulatory capital	Source based on reference letters of the balance sheet from step 2
1	Directly issued qualifying common share capital plus related stock surplus	436,501	e+f
2	Retained earnings	104,222	o-p
3	Accumulated other comprehensive income (and other reserves)	91,100	h+i+j+k+l+m+n
5	Common share capital issued by subsidiaries and held by third parties (minority interest)	9,129	r
6	Common Equity Tier 1 capital before regulatory adjustments	640,952	
Common Equity Tier 1 capital : regulatory adjustments			
8	Goodwill (net of related tax liability)	16,763	b+c
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	17,938	d
11	Cash flow hedge reserve	13,101	w
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	2,518	g
28	Total regulatory adjustments to Common Equity Tier 1	50,320	
29	Common Equity Tier 1 capital (CET1)	590,632	
Additional Tier 1 capital : instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	144,025	q

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31	of which: classified as equity under applicable accounting standards	144,025	q
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)	1,366	s
36	Additional Tier 1 capital before regulatory adjustments	145,391	
Additional Tier 1 capital : regulatory adjustments			
44	Additional Tier 1 capital (AT1)	145,391	
45	Tier 1 capital (T1 = CET1 + AT1)	736,023	
Tier 2 capital : instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	100,000	v
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)	2,109	t
50	General Provisions included in Tier 2 Capital	63,897	a
51	Tier 2 capital before regulatory adjustments	166,006	
Tier 2 capital: regulatory adjustments			
58	Tier 2 capital (T2)	166,006	
59	Total capital (TC = T1 + T2)	902,029	

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3. Disclosure for main features of regulatory capital instruments

1	Issuer	BURGAN TIER 1 FINANCING LIMITED	BURGAN BANK K.P.S.C
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1106874198	Floating: KW0DI0100530 Fixed: KW0DI0100522
3	Governing law(s) of the instrument	WHOLE INSTRUMENT-ENGLISH LAW; SUBORDINATION PROVISION - DIFC LAW	Kuwait Law
Regulatory treatment			
4	Type of Capital (CET1, AT1 or T2)	AT1	T2
5	Eligible at solo/group/group & solo	Group & Solo	Group & Solo
6	Instrument type (types to be specified by each jurisdiction)	Sub-ordinated debt	Sub-ordinated debt
7	Amount recognised in regulatory capital (Currency in thousands, as of most recent reporting date)	USD 500,000 thousand	KWD 100,000 thousand
8	Par value of instrument	100	100
9	Accounting classification	Equity	Debt
10	Original date of issuance	30 th September 2014	9 th March 2016
11	Perpetual or dated	Perpetual	Dated
12	Original maturity date	No Maturity	9 th March 2026
13	Issuer call subject to prior supervisory approval	Yes	Yes
14	Optional call date, contingent call dates and redemption amount	Optional Call Date: 30 th September 2019 ; Regulatory event (full or partial disqualification) or tax event call: principal + accrued interest	9 th March 2021, contingent call dates anytime during the life of instrument, 100%
15	Subsequent call dates, if applicable	Quarterly	Every interest payment date after 5 th year
Coupons / dividends			
16	Fixed or floating dividend/coupon	Fixed for every 5-year period; at the end of every 5 year period, resets to the prevailing 5 yr mid-swap rate plus margin	KWD 30.1 million at fixed rate of 6% and KWD 69.9 million at floating interest rate of 3.95% above CBK discount rate.
17	Coupon rate and any related index	7.25%; 5-year USD mid-swap	Fixed Rate: 6%; Floating rate: 3.95% above CBK discount rate
18	Existence of a dividend stopper	Yes	No
19	Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
20	Existence of step up or other incentive to redeem	No	None
21	Noncumulative or cumulative	Non-cumulative	Non-cumulative
22	Convertible or non-convertible	Non-convertible	Non-convertible
23	If convertible, conversion trigger (s)	N/A	N/A
24	If convertible, fully or partially	N/A	N/A
25	If convertible, conversion rate	N/A	N/A
26	If convertible, mandatory or optional conversion	N/A	N/A

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27	If convertible, specify instrument type convertible into	N/A	N/A
28	If convertible, specify issuer of instrument it converts into	N/A	N/A
29	Write-down feature	Yes	Yes
30	If write-down, write-down trigger(s)	Determination by regulator that the bank will be non-viable without a write-down	Determination by regulator that the bank will be non-viable without a write-down
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	N/A	N/A
34	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Tier 1 securities are immediately junior to Basel III - Tier 2 subordinated securities which are considered eligible capital securities in accordance with Basel III guidelines issued by the CBK.	Basel III -Tier 2 subordinated securities are immediately junior to subordinated bonds which are not considered eligible capital securities in accordance with Basel III guidelines issued by the CBK.
35	Non-compliant transitioned features	None	None
36	If yes, specify non-compliant features	N/A	N/A

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4. Financial leverage ratio

Below table provides the reconciliation of the balance sheet assets from the published interim condensed consolidated financial information with total exposure amount in the calculation of leverage ratio.

Summary comparison of accounting assets vs leverage ratio exposure measure:		
	Item	KD 000's
1	Total consolidated assets as per published interim condensed consolidated financial information	6,836,872
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(34,701)
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	112,971
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	547,385
7	Other adjustments	-
8	Leverage ratio exposure	7,462,527

Leverage ratio common disclosure template:		
	Item	KD 000's
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	6,836,872
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(34,701)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	6,802,171
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	85,024
5	Add-on amounts for PFE associated with all derivatives transactions	27,947
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)	112,971
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale 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	1,730,059
18	(Adjustments for conversion to credit equivalent amounts)	(1,182,674)
19	Off-balance sheet items (sum of lines 17 and 18)	547,385
Capital and total exposures		
20	Tier 1 capital	736,023
21	Total exposures (sum of lines 3, 11, 16 and 19)	7,462,527
Leverage ratio		
22	Basel III leverage ratio	9.9%