# OMAN ARAB BANK SAOC

## DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016

### IN TERMS OF CENTRAL BANK OF OMAN CIRCULAR BM 1027 DATED 4 DECEMBER 2007 & BM 1114 DATED 17 NOVEMBER 2013

Building a better
working world

Ernst & Young LLC
P.O. Box 1750, Ruwi 112
3-4 th Floor
Ernst & Young Building
Al Qurum, Muscat
Sultanate of Oman

Tel: +968 24 559 559
Fax: +968 24 566 043
muscat@om.ey.com
ey.com/mena
C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

## REPORT ON FACTUAL FINDINGS TO THE BOARD OF DIRECTORS OF OMAN ARAB BANK SAOC IN RESPECT OF BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES

We have performed the procedures agreed with you and as prescribed in the Central Bank of Oman's (CBO) circular No. BM 1027 dated 4 December 2007 with respect to the Basel II - Pillar III Disclosures and Basel III related Disclosures (the disclosures) of Oman Arab Bank SAOC (the bank) as at and for the year ended 31 December 2016. The disclosures were prepared by the management in accordance with the CBO's Circular No. BM 1009 dated 13 September 2006, Circular No. BM 1027 dated 4 December 2007 and Circular number 1114 dated 17 November 2013. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures, as set out in Circular No. BM 1027, were performed solely to assist you in evaluating the bank's compliance with the related disclosure requirements set out in CBO Circular No. BM 1009 dated 13 September 2006 and BM 1114 dated 17 November 2013.

We report our findings as follows:

Based on performance of the procedures detailed above, we found the disclosures free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the disclosures.

Had we performed additional procedures or had we performed an audit or review of the disclosures in accordance with the International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying disclosures to be included in the bank's annual report for the year ended 31 December 2016 and does not extend to any financial statements of the bank taken as a whole or to any other reports of the bank.

Ernst & Young LLC

9 March 2017
Muscat

ارنست ويونغ ش م م
س ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

## OMAN ARAB BANK SAOC

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

## CONTENTS

## A. SCOPE OF APPLICATION

Oman Arab Bank SAOC (the Bank) was incorporated in the Sultanate of Oman on 1 October 1984 as a closed joint stock company. The Bank is a subsidiary of Oman International Investment and Development Company SAOG (OMINVEST) which owns 51% of the shares and the remaining 49% is owned by Arab Bank Plc, Jordan.

The Bank's objectives of capital management are:

- to comply with the capital requirements set by the regulator i.e. the Central Bank of Oman(CBO) ;
- to safeguard the Bank's ability to continue as a going concern while providing adequate returns to the shareholders; and
- to maintain a strong capital base to support the development of its business.

The Bank complies with CBO's requirements for the capital adequacy as specified in the Circular provided for the implementation of the Basel II accord.

Basel II Accord consists of three mutually reinforcing Pillars - Minimum Capital Requirements (First Pillar), Supervisory Review Process (Second Pillar) and Market Discipline (Third Pillar). Under the First Pillar, the new framework offers three distinct options, for computing capital requirements for credit and operational risks, respectively. The approaches for credit risk (Standardized, Internal Ratings-Based –Foundation and Advanced) and operational risk (Basic Indicator, Standardized and Advanced measurement) are based on increasing risk sensitivity and allow banks to choose any of the approaches that are most appropriate to their risk management practices.

## B. CAPITAL STRUCTURE

The Bank's Tier 1 and Tier 2 capital are as follows:

| | RO '000 |
|---|---|
| Paid up share capital | 127,000 |
| Legal reserve | 35,821 |
| General reserve | 25,560 |
| Special reserve | 2,400 |
| Subordinated Debt reserve | 54,000 |
| Other disclosed reserves | (72) |
| Other intangibles | (164) |
| Retained earnings of previous years | 8,390 |
| Perpetual Bonds | 30,000 |
| Goodwill | - |
| **Tier 1 Capital** | **282,935** |
| | |
| Collective impairment provisions for loan losses on portfolio basis | 22,687 |
| Subordinated term debt | 16,000 |
| **Tier 2 Capital** | **38,687** |
| | |
| **Total Capital** | **321,622** |

### Tier 1 Capital

The Bank's authorised and issued share capital comprises 200,000,000 fully paid shares of RO 0.100 each. In accordance with Article 106 of the Omani Commercial Companies Law of 1974, the Bank is required to transfer 10% of its profit after tax for the year to the legal reserve until the accumulated balance of the reserve equals at least one third of the Bank’s paid up share capital. General reserves have been created out of the Bank's retained earnings to meet any unforeseen contingency.

**B. CAPITAL STRUCTURE (continued)**

The subordinated debt reserve has been created by a transfer of 20% of the subordinated bonds out of the profit after tax for the year. The Central Bank of Oman requires that a reserve be set aside annually for the subordinated bonds which are due to mature within five years. The reserve is available for transfer back to retained earnings upon maturity of the subordinated bonds.

## Additional Tier 1 Capital

On 29 December 2016, the Bank issued unsecured perpetual Tier 1 bonds of RO 30 million (30,000,000 units of RO 1 each through private placement). The bonds are listed in the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate of 7.75% per annum payable semi-annually in arrears and treated as deduction from equity. Interest is non-cumulative and payable at Bank’s discretion. The bonds form part of Tier 1 Capital of the Bank and comply with Basel-3 and Central Bank of Oman regulation.

The Tier 1 bonds do not have a fixed or final maturity date and are redeemable by the Bank at its sole discretion on 29 January 2021 (the “First Call Date”) or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

**Tier 2 Capital**

Tier 2 Capital consists of the Subordinated Bonds, provision for loan impairment on collective portfolio basis as required by the CBO and cumulative fair value gains on investments available for sale as allowed under the guidelines for Basel II by CBO.

In April 2012 the Bank issued non-convertible unsecured subordinated bonds (“the bonds”) of RO 50 Million (50,000,000 units of RO 1 each) for a tenor of five years and one month in April 2012 through private placement in order to enhance the capital adequacy and to meet the funding requirements, The bonds are listed in the Muscat Securities Market and are transferable through trading. The bonds carry a fixed coupon rate payable semi-annually with the principal payable on maturity.

The Bank obtained subordinated loans of RO 20 Million, which comply with Basel III requirements for tier-2 capital, for a tenor of five years and six months in November 2015. The loans carry a fixed rate of 5.5 % per annum, payable semi-annually with the principal payable on maturity.

The provisions are made for the loan impairment on the performing portion of the loans and advances against the losses incurred but not identified.

**C. CAPITAL ADEQUACY**

*Qualitative disclosures*

Basel II provides a range of options for determining the regulatory capital requirements for credit and operational risks. It allows the banks and the supervisors to select approaches that seem most appropriate for the level of sophistication of the banks’ activities, financial market infrastructure and risk management practices.

The Bank has chosen the following approaches for determining the regulatory capital with the approval of Central Bank of Oman:

i. Standardized Approach for the credit risk with a simplified approach for the risk weighting of collaterals under the credit risk mitigation and
ii. Basic Indicator approach for the operational risk.

The Bank's Board of Directors reviews the capital requirements based on the strategic plan of the Bank. This is reviewed periodically based on the current market and economic conditions. While formulating the Bank’s strategic plans, the Bank's management takes into account forward-looking factors such as changes in the economic conditions, market and liquidity conditions. The Bank’s current and future capital requirements are calculated in relation to its strategic business objectives. The strategic plan delineates the Bank's short-term and long-term capital needs, capital expenditures required for the foreseeable future, target capital levels, and capital sources. The Bank prepares its capital planning and operational budgeting on an annual basis.

Management considers that the Bank has adequate systems for monitoring and reporting risk exposures. The capital needs are assessed based on changes in the Bank's risk profile. The Board of Directors and the senior management receive regular reports or updates on the Bank's risk profile and capital needs through the Assets and Liabilities Committee (ALCO), Management Credit Committee (MCC) and directly from the Risk Management Department. This information is used to:

a. evaluate the level and trend of material risks and their effect on capital requirements;
b. evaluate the sensitivity and reasonableness of the main assumptions used in the capital measurement system;
c. determine that the Bank holds sufficient capital against various risks;
d. determine that the Bank meets its internal capital adequacy goals; and
e. assess its future capital requirements based on the Bank's reported risk profile and in turn make necessary adjustments to the Bank's strategic plan.

The Management is in the process of setting the policies and procedures to progressively move to the advanced approaches set out in Basel II for the capital measurement.

*Quantitative disclosure*
**Table 1**
**2016**

| Sl. No | Details | Gross Balance | Net Balance | Risk Weighted Assets |
|---|---|---|---|---|
| | | ( Book Value) RO'000 | ( Book Value) RO'000 | RO'000 |
| 1 | On -Balance sheet Item | 2,116,035 | 2,140,116 | 1,508,628 |
| 2 | Off -Balance sheet Item | 821,639 | 392,508 | 338,924 |
| | Assets for Operations risk | 141,500 | 141,500 | 141,500 |
| | Assets in Trading book | 2,975 | 2,975 | 2,975 |
| 3 | Derivatives | 12,467 | 12,467 | 4,994 |
| 4 | **Total** | **3,094,616** | **2,689,566** | **1,997,021** |
| 5 | Tier 1 Capital | | | 282,935 |
| 6 | Tier 2 Capital | | | 38,687 |
| 7 | Tier 3 Capital | | | - |
| 8 | **Total Regulatory Capital** | | | **321,622** |
| 8.1 | Capital requirement for credit risk | | | 233,884 |
| 8.2 | Capital requirement for market risk | | | 376 |
| 8.3 | Capital requirement for operational risk | | | 17,864 |
| 9 | **Total required capital** | | | **252,124** |
| 10 | **Tier 1 Ratio** | | | **14.17%** |
| 11 | **Total Capital Ratio** | | | **16.11%** |

## OMAN ARAB BANK SAOC
**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES**
**FOR THE YEAR ENDED 31 DECEMBER 2016(continued)**

**2015**

| Sl. No | Details | Gross Balance ( Book Value) RO'000 | Net Balance ( Book Value) RO'000 | Risk Weighted Assets RO'000 |
|---|---|---|---|---|
| 1 | On -Balance sheet Item | 2,027,566 | 2,033,402 | 1,409,944 |
| 2 | Off -Balance sheet Item | 917,857 | 374,928 | 311,190 |
| | Assets for Operations risk | 134,625 | 134,625 | 134,625 |
| | Assets in Trading book | 3,613 | 3,613 | 3,613 |
| 3 | Derivatives | 6,264 | 6,264 | 3,878 |
| 4 | **Total** | **3,089,925** | **2,552,832** | **1,863,250** |
| 5 | Tier 1 Capital | | | 214,212 |
| 6 | Tier 2 Capital | | | 50,741 |
| 7 | Tier 3 Capital | | | - |
| 8 | **Total Regulatory Capital** | | | **264,953** |
| 8.1 | Capital requirement for credit risk | | | 217,783 |
| 8.2 | Capital requirement for market risk | | | 456 |
| 8.3 | Capital requirement for operational risk | | | 16,996 |
| 9 | **Total required capital** | | | **196,892** |
| 10 | **Tier 1 Ratio** | | | **11.50%** |
| 11 | **Total Capital Ratio** | | | **14.22%** |

### D. CREDIT RISK EXPOSURE AND ASSESSMENT

i. General disclosure

*Qualitative disclosures*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from lending activities, investment activities and other assets in the Bank’s asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and financial guarantees.

The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Bank’s performance to developments affecting a particular industry or geographic location.

***Credit Risk Management and Control***

The credit risk management and control are centralised in the credit risk management team which is divided into corporate, financial institutions and retail groups. The credit risk in corporate and financial institutions portfolio is primarily managed by the Credit Department while the Retail Banking Department manages the credit risk in the retail portfolio. The Risk Management Department reviews the credit risk independently and directly reports to the Audit and Risk Management Committee of the Board of Directors. The Bank's assessment of probability of default of individual counterparties is mainly linked with the number of days the borrower was in default as defined by the CBO circular number BM 977 dated 25 September 2004 and the special dispensation dated 20 September 2016 for specific projects of Government owned entities. In addition, the Bank assesses the adequacy of the security and financial performance of the borrowers in further downgrading the classification.

| Bank's Rating | Past due days Commercial / Retail |
|---|---|
| Standard loans | 0-60 days |
| Special mention loan | 60-90 days |
| Substandard loan | 90-180 days |
| Doubtful loans | 180-365 days |
| Loss | 365 days and over |

The Bank manages, limits and controls concentrations of credit risk − in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee, Audit and Risk Management committee of the Board of Directors and the Executive Committee of the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

***Impairment provisioning***

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the loss events such as delays in repayment of contracted amounts by counterparties as well as considering the guidelines issued by the CBO.

The Bank's credit policy requires the review of individual financial assets on a quarterly basis or earlier when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually not significant; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and peer statistics.

***Credit Risk Management and Control (continued)***

*Quantitative disclosure*

ii. Gross credit risk exposures

**Table-2**
2016

| Sl.No | Type of credit exposure | Average Gross Exposure 2016 RO'000 | Average Gross Exposure 2015 RO'000 | Total Gross Exposure as at 31-Dec-16 RO'000 | Total Gross Exposure as at 31-Dec-15 RO'000 |
|---|---|---|---|---|---|
| 1 | Overdrafts | 143,410 | 140,649 | 143,753 | 137,336 |
| 2 | Personal Loans | 699,181 | 582,547 | 725,591 | 635,288 |
| 3 | Loans against Trust Receipts | 57,825 | 57,825 | 65,199 | 71,024 |
| 4 | Other Loans | 710,091 | 646,662 | 623,041 | 688,894 |
| 5 | Bills Purchased Discounted | 56,876 | 27,170 | 87,278 | 31,842 |
| | **Total** | **1,667,383** | **1,454,853** | **1,644,862** | **1,564,384** |

iii. Geographic distribution of exposures

**Table-3**

**2016**

| Sl. No | Type of credit exposure | Oman RO'000 | Other GCC countries RO'000 | OECD countries RO'000 | India RO'000 | Pakistan RO'000 | Others RO'000 | Total RO'000 |
|---|---|---|---|---|---|---|---|---|
| 1 | Overdrafts | 143,753 | - | - | - | - | - | 143,753 |
| 2 | Personal Loans | 725,591 | - | - | - | - | - | 725,591 |
| 3 | Loans against Trust Receipts | 65,199 | - | - | - | - | - | 65,199 |
| 4 | Other Loans | 623,041 | - | - | - | - | - | 623,041 |
| 5 | Bills Purchased/Discounted | 87,278 | - | - | - | - | - | 87,278 |
| | **Total** | **1,644,862** | - | - | - | - | - | **1,644,862** |

**2015**

| Sl. No | Type of credit exposure | Oman RO'000 | Other GCC countries RO'000 | OECD countries RO'000 | India RO'000 | Pakistan RO'000 | Others RO'000 | Total RO'000 |
|---|---|---|---|---|---|---|---|---|
| 1 | Overdrafts | 137,336 | - | - | - | - | - | 137,336 |
| 2 | Personal Loans | 635,288 | - | - | - | - | - | 635,288 |
| 3 | Loans against Trust Receipts | 71,024 | - | - | - | - | - | 71,024 |
| 4 | Other Loans | 688,894 | - | - | - | - | - | 688,894 |
| 5 | Bills Purchased/Discounted | 31,842 | - | - | - | - | - | 31,842 |
| | **Total** | **1,564,384** | - | - | - | - | - | **1,564,384** |

iv. Industry or counterparty type distribution of exposures

**Table-4**
**2016**

| Sl. No | Economic Sector | Overdraft RO'000 | Loans RO'000 | Bills Purchased/ discounted RO'000 | Others RO'000 | Total RO'000 | Off-balance sheet exposure RO'000 |
|---|---|---|---|---|---|---|---|
| 1 | Import Trade | 13,893 | 37,047 | 3,804 | - | 54,744 | 40,319 |
| 2 | Export Trade | 110 | 378 | 175 | - | 663 | 152,983 |
| 3 | Wholesale & Retail Trade | 9,184 | 34,984 | 1,921 | - | 46,089 | 10,670 |
| 4 | Mining & Quarrying | 1,678 | 108,518 | 425 | - | 110,621 | - |
| 5 | Construction | 74,260 | 158,256 | 66,969 | - | 299,485 | 287,085 |
| 6 | Manufacturing | 14,077 | 93,128 | 4,842 | - | 112,047 | 2,544 |
| 7 | Electricity ,gas & water | 716 | 47,724 | 672 | - | 49,112 | 235,761 |
| 8 | Transport & communication | 1,056 | 51,275 | 197 | - | 52,528 | 17,801 |
| 9 | Financial Institutions | 1,749 | 33,280 | 144 | - | 35,173 | - |
| 10 | Services | 11,079 | 62,481 | 4,300 | - | 77,860 | 4,462 |
| 11 | Personal Loans | - | 725,363 | - | - | 725,363 | - |
| 12 | Agriculture & Allied Activites | 675 | 3,173 | 1,150 | - | 4,998 | - |
| 13 | Government | - | - | - | - | - | 70,014 |
| 14 | Non-Resident Lending | - | - | - | - | - | - |
| 15 | All Others | 15,276 | 58,224 | 2,679 | - | 76,179 | - |
| 16 | **Total (1 to 15)** | **143,753** | **1,413,831** | **87,278** | **-** | **1,644,862** | **821,639** |

**2015**

| Sl. No | Economic Sector | Overdraft RO'000 | Loans RO'000 | Bills Purchased/ discounted RO'000 | Others RO'000 | Total RO'000 | Off-balance sheet exposure RO'000 |
|---|---|---|---|---|---|---|---|
| 1 | Import Trade | 17,970 | 36,648 | 3,844 | - | 58,462 | 50,100 |
| 2 | Export Trade | 262 | 511 | 125 | - | 898 | 183,361 |
| 3 | Wholesale & Retail Trade | 10,906 | 46,923 | 1,367 | - | 59,196 | 12,841 |
| 4 | Mining & Quarrying | 950 | 69,533 | 217 | - | 70,700 | - |
| 5 | Construction | 64,744 | 162,340 | 17,831 | - | 244,915 | 278,561 |
| 6 | Manufacturing | 11,942 | 96,867 | 2,329 | - | 111,138 | 2,958 |
| 7 | Electricity ,gas & water | 153 | 46,654 | 627 | - | 47,434 | 235,108 |
| 8 | Transport & communication | 741 | 127,182 | 140 | - | 128,063 | 20,326 |
| 9 | Financial Institutions | 2,168 | 61,014 | 144 | - | 63,326 | - |
| 10 | Sevices | 9,589 | 54,509 | 3,830 | - | 67,928 | 3,589 |
| 11 | personal Loans | - | 635,289 | - | - | 635,289 | - |
| 12 | Agriculture & Allied Activites | 1,290 | 5,122 | 655 | - | 7,067 | - |
| 13 | Government | - | 1,958 | - | - | 1,958 | 73,018 |
| 14 | Non-Resident Lending | - | - | - | - | - | - |
| 15 | All Others | 16,621 | 50,656 | 733 | - | 68,010 | - |
| 16 | **Total (1 to 15)** | **137,336** | **1,395,206** | **31,842** | **-** | **1,564,384** | **859,862** |

v. Residual contractual maturity of credit exposure

**Table-5**

**2016**

| Sl. No | Time Band | Overdraft | Loans | Bills Purchased/ discounted | Others | Total | Off-balance sheet exposure |
|---|---|---|---|---|---|---|---|
| | | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| 1 | Up to 1 month | 7,188 | 56,616 | 35,294 | - | 99,098 | 147,793 |
| 2 | 1-3 months | 7,188 | 89,712 | 38,852 | - | 135,752 | 267,101 |
| 3 | 3-6 months | 7,188 | 34,860 | 13,128 | - | 55,176 | 148,817 |
| 4 | 6-9 months | 7,188 | 26,374 | 1 | - | 33,563 | 31,319 |
| 5 | 9-12 months | 7,188 | 40,816 | 1 | - | 48,005 | 48,287 |
| 6 | 1-3 years | 35,938 | 209,132 | 2 | - | 245,072 | 137,035 |
| 7 | 3-5 years | 35,938 | 140,054 | - | - | 175,992 | 41,273 |
| 8 | Over 5 years | 35,937 | 816,267 | - | - | 852,204 | 14 |
| 9 | **Total** | **143,753** | **1,413,831** | **87,278** | **-** | **1,644,862** | **821,639** |

**2015**

| Sl. No | Time Band | Overdraft | Loans | Bills Purchased/ discounted | Others | Total | Off-balance sheet exposure |
|---|---|---|---|---|---|---|---|
| | | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| 1 | Up to 1 month | 6,867 | 113,404 | 11,326 | - | 131,597 | 150,309 |
| 2 | 1-3 months | 6,867 | 141,713 | 15,539 | - | 164,119 | 301,256 |
| 3 | 3-6 months | 6,867 | 44,271 | 4,935 | - | 56,073 | 71,477 |
| 4 | 6-9 months | 6,867 | 28,937 | 7 | - | 35,811 | 152,605 |
| 5 | 9-12 months | 6,867 | 85,894 | 31 | - | 92,792 | 55,160 |
| 6 | 1-3 years | 34,334 | 211,197 | 4 | - | 245,535 | 125,484 |
| 7 | 3-5 years | 34,334 | 122,528 | - | - | 156,862 | 3,571 |
| 8 | Over 5 years | 34,333 | 647,262 | - | - | 681,595 | - |
| 9 | **Total** | **137,336** | **1,395,206** | **31,842** | **-** | **1,564,384** | **859,862** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

vi. Loans and provisions by major industry or counterparty type

**Table-6**
**2016**

| SI. NO | Economic Sector | Gross Loans RO'000 | Of which NPLs RO'000 | Collective impairment provision held RO'000 | Specific provision held RO'000 | Unrecognized contractual interest RO'000 | Provisions made during the year * RO'000 | Advances written off during the year RO'000 |
|---|---|---|---|---|---|---|---|---|
| 1 | Import Trade | 54,744 | 2,638 | 521 | 732 | 709 | 527 | 2,151 |
| 2 | Export Trade | 663 | 137 | 5 | 23 | 20 | 16 | - |
| 3 | Wholesale & Retail Trade | 46,089 | 1,942 | 441 | 774 | 170 | 13 | 24 |
| 4 | Mining & Quarrying | 110,621 | 15 | 1,106 | 322 | 16 | 346 | - |
| 5 | Construction | 299,485 | 10,617 | 2,889 | 6,213 | 1,521 | 3,872 | 298 |
| 6 | Manufacturing | 112,047 | 13,670 | 984 | 3,004 | 1,989 | 228 | 331 |
| 7 | Electricity ,gas & water | 49,112 | - | 491 | - | - | - | - |
| 8 | Transport & communication | 52,528 | 424 | 521 | 116 | 29 | 34 | - |
| 9 | Financial Institutions | 35,173 | 514 | 347 | 498 | 62 | 329 | - |
| 10 | Services | 77,860 | 1,317 | 765 | 852 | 93 | 505 | 316 |
| 11 | Personal Loans | 725,363 | 13,084 | 14,246 | 4,207 | 796 | 5,741 | 1,720 |
| 12 | Agriculture & Allied Activities | 4,998 | 793 | 42 | 181 | 97 | 141 | - |
| 13 | Government | - | - | - | - | - | - | - |
| 14 | Non-Resident Lending | - | - | - | - | - | - | - |
| 15 | All Others | 76,179 | 2,787 | 607 | 3,901 | 773 | 718 | 532 |
| 16 | **Total** | **1,644,862** | **47,938** | **22,965** | **20,823** | **6,275** | **12,470** | **5,372** |

*** -** The provision shown under this column represents the specific provision made during the year. The collective provisions are made on a portfolio basis.

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES**
**FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

**2015**

| SI. NO | Economic Sector | Gross Loans RO'000 | Of which NPLs RO'000 | Collective impairment provision held RO'000 | Specific provision held RO'000 | Unrecognized contractual interest RO'000 | Provisions made during the year * RO'000 | Advances written off during the year RO'000 |
|---|---|---|---|---|---|---|---|---|
| 1 | Import Trade | 58,462 | 3,955 | 545 | 1,002 | 2,002 | 4 | - |
| 2 | Export Trade | 898 | 65 | 8 | 17 | 17 | - | - |
| 3 | Wholesale & Retail Trade | 59,196 | 1,913 | 573 | 1,245 | 178 | 945 | - |
| 4 | Mining & Quarrying | 70,700 | - | 707 | - | - | 14 | - |
| 5 | Construction | 244,915 | 5,206 | 2,397 | 2,397 | 785 | 796 | - |
| 6 | Manufacturing | 111,138 | 13,166 | 980 | 3,112 | 1,985 | 313 | - |
| 7 | Electricity ,gas & water | 47,434 | - | 474 | - | - | - | - |
| 8 | Transport & communication | 128,063 | 285 | 1,278 | 98 | 42 | 80 | - |
| 9 | Financial Institutions | 63,326 | 486 | 628 | 188 | 8 | 228 | - |
| 10 | Sevices | 67,928 | 4,527 | 634 | 474 | 463 | 470 | 52 |
| 11 | personal Loans | 635,289 | 12,580 | 12,454 | 6,155 | 1,680 | 5,008 | 23 |
| 12 | Agriculture & Allied Activites | 7,067 | 142 | 69 | 41 | 65 | 3 | - |
| 13 | Government | 1,958 | - | 20 | - | - | - | - |
| 14 | Non-Resident Lending | - | - | - | - | - | - | - |
| 15 | All Others | 68,010 | 2,517 | 284 | 1,652 | 156 | 1,834 | 27 |
| 16 | **Total** | **1,564,384** | **44,842** | **21,051** | **16,381** | **7,381** | **9,695** | **102** |

*** -** The provision shown under this column represents the specific provision made during the year. The collective provisions are made on a portfolio basis.

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

vii. Geographic distribution of impaired loans

**Table-7**

**2016**

| SI. No | Countries | Gross Loans RO'000 | Of which NPLs RO'000 | Collective impairment RO'000 | Specific Provision Held RO'000 | Unrecognized contractual interest RO'000 | Provisions made during the year RO'000 | Advances written off during the year RO'000 |
|---|---|---|---|---|---|---|---|---|
| 1 | Oman | 1,644,862 | 47,938 | 22,965 | 20,823 | 6,275 | 12,470 | 5,372 |
| 2 | Other GCC countries | - | - | - | - | - | - | - |
| 3 | OECD countries | - | - | - | - | - | - | - |
| 4 | India | - | - | - | - | - | - | - |
| 5 | Pakistan | - | - | - | - | - | - | - |
| 6 | Others | - | - | - | - | - | - | - |
| 7 | **Total** | **1,644,862** | **47,938** | **22,965** | **20,823** | **6,275** | **12,470** | **5,372** |

**2015**

| SI. No | Countries | Gross Loans RO'000 | Of which NPLs RO'000 | Collective impairment RO'000 | Specific Provision Held RO'000 | Unrecognized contractual interest RO'000 | Provisions made during the year RO'000 | Advances written off during the year RO'000 |
|---|---|---|---|---|---|---|---|---|
| 1 | Oman | 1,564,384 | 44,842 | 21,051 | 16,381 | 7,381 | 9,695 | 102 |
| 2 | Other GCC countries | - | - | - | - | - | - | - |
| 3 | OECD countries | - | - | - | - | - | - | - |
| 4 | India | - | - | - | - | - | - | - |
| 5 | Pakistan | - | - | - | - | - | - | - |
| 6 | Others | - | - | - | - | - | - | - |
| 7 | **Total** | **1,564,384** | **44,842** | **21,051** | **16,381** | **7,381** | **9,695** | **102** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2014**

viii. Movement in gross loans

**Table-8**

**Movement of Gross Loans during the year - 2016**

| Sl.No | Details | Performing Loans | | Non- Performing Loans | | | |
|---|---|---|---|---|---|---|---|
| | | Standard | Specially Mentioned | Sub-Standard | Doubtful | Loss | Total |
| | | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| 1 | Opening Balance | 1,395,530 | 124,012 | 3,658 | 9,077 | 32,107 | **1,564,384** |
| 2 | Migration /changes(+/-) | 16,450 | (10,632) | (7,227) | (9,009) | 10,418 | **-** |
| 3 | New Loans | 1,263,823 | 100,461 | 6,744 | 8,206 | 4,659 | **1,383,893** |
| 4 | Recovery of Loans | (1,290,750) | (1,950) | (265) | (1,545) | (3,505) | **(1,298,015)** |
| 5 | Loans written off | 20 | - | - | 2 | 5,378 | **5,400** |
| 6 | Closing Balance | 1,385,033 | 211,891 | 2,910 | 6,727 | 38,301 | **1,644,862** |
| 7 | Provisions held | 20,843 | 2,404 | 1,132 | 3,023 | 16,386 | **43,788** |
| 8 | Reserve Interest | - | - | 54 | 259 | 5,962 | **6,275** |

**Movement of Gross Loans during the year - 2015**

| Sl.No | Details | Performing Loans | | Non- Performing Loans | | | |
|---|---|---|---|---|---|---|---|
| | | Standard | Specially Mentioned | Sub-Standard | Doubtful | Loss | Total |
| | | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| 1 | Opening Balance | 1,169,285 | 89,356 | 4,603 | 6,679 | 26,903 | **1,296,826** |
| 2 | Migration /changes(+/-) | (13,967) | 16,643 | (7,691) | 36 | 4,979 | **-** |
| 3 | New Loans | 1,503,204 | 18,091 | 7,002 | 3,002 | 3,867 | **1,535,166** |
| 4 | Recovery of Loans | 1,262,988 | 78 | 256 | 639 | 2,772 | **1,266,733** |
| 5 | Loans written off | 4 | - | - | 1 | 870 | **875** |
| 6 | Closing Balance | 1,395,530 | 124,012 | 3,658 | 9,077 | 32,107 | **1,564,384** |
| 7 | Provisions held | 21,397 | 151 | 1,025 | 2,606 | 12,253 | **37,432** |
| 8 | Reserve Interest | - | - | 80 | 215 | 7,086 | **7,381** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

## E. DISCLOSURE FOR PORTFOLIO SUBJECT TO STANDARDISED APPROACH

*Qualitative disclosures*

The Bank uses the ratings by Moody's Investor Services for the credit ratings for the purpose of determining the risk weight to be assigned to the exposure for on-balance sheet assets such as loans and advances and inter-bank exposure as well as off-balance sheet items such as Letters of Credit, Guarantees and forward contracts. In the absence of a rating by the Moodys' Investor Service, the Bank uses the ratings, if any, by Standard & Poors, Fitch Ratings or Capital Intelligence which are recognized by the Central Bank of Oman.

The claims on corporate are assigned 100% risk weight except for the claims with eligible financial collaterals and the Bank uses the simple approach for recognizing the collaterals in banking book with the approval of Central Bank of Oman. The Bank's retail loan portfolio is assigned a 100% risk weight except the loans secured by residential mortgage, which meet the conditions of CBO, for which risk weight assigned is 35%.

*Quantitative Disclosure*
The net exposure after risk mitigation subject to Standardized Approach is as follows:

**Table-9**
**2016**

| Sl. No | Risk bucket | 0% | 20% | 35% | 50% | 100% | Total |
|---|---|---|---|---|---|---|---|
| | | RO '000 | RO' 000 | RO' 000 | RO' 000 | RO' 000 | RO' 000 |
| 1 | Sovereigns(Rated) | 313,661 | - | - | 48,125 | - | 361,786 |
| 2 | Banks(Rated) | - | 43,867 | - | 86,256 | 155,814 | 285,937 |
| 3 | Corporate (Unrated) | - | 29,710 | - | - | 861,530 | 891,240 |
| 4 | Retail | - | - | - | - | 451,930 | 451,930 |
| 5 | Claims secured by residential property | - | - | 196,220 | - | 67,332 | 263,552 |
| 6 | Claims secured by commercial property | - | - | - | - | 39,065 | 39,065 |
| 7 | Past due loans | - | - | - | - | 20,910 | 20,910 |
| 8 | Other assets | 37,781 | - | - | - | 90,932 | 128,713 |
| 9 | Un-drawn exposure | - | - | - | - | 101,958 | 101,958 |
| | **Total** | **351,442** | **73,577** | **196,220** | **134,381** | **1,789,471** | **2,545,091** |

**2015**

| Sl. No | Risk bucket | 0% | 20% | 35% | 50% | 100% | Total |
|---|---|---|---|---|---|---|---|
| | | RO '000 | RO' 000 | RO' 000 | RO' 000 | RO' 000 | RO' 000 |
| 1 | Sovereigns(Rated) | 294,834 | - | - | - | - | 294,834 |
| 2 | Banks(Rated) | - | 105,444 | - | 195,735 | 108,066 | 409,245 |
| 3 | Corporate (Unrated) | - | 49,108 | - | - | 780,864 | 829,972 |
| 4 | Retail | - | - | - | - | 439,495 | 439,495 |
| 5 | Claims secured by residential property | - | - | 131,051 | - | 55,317 | 186,368 |
| 6 | Claims secured by commercial property | - | - | - | - | 43,325 | 43,325 |
| 7 | Past due loans | - | - | - | - | 21,080 | 21,080 |
| 8 | Other assets | 38,220 | - | - | - | 89,582 | 127,802 |
| 9 | Un-drawn exposure | - | - | - | - | 62,472 | 62,472 |
| | **Total** | **333,054** | **154,552** | **131,051** | **195,735** | **1,600,201** | **2,414,593** |

## F. CREDIT RISK MITIGATION UNDER STANDARDISED APPROACH

*Qualitative disclosures*

Following are some of the specific credit risk mitigation measures employed by the Bank:

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- charges over business assets such as premises, inventory and accounts receivable;
- lien on fixed deposits;
- cash margins;
- mortgages over residential and commercial properties and
- pledge of marketable shares and securities;

Longer-term finance and lending to corporate entities are generally secured. The housing loans are secured by mortgage over the residential property. Credit cards and similar revolving credit facilities are unsecured. Additionally, in order to minimise the credit loss the Bank seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Assessment of the financial capabilities of the borrowers

The borrowers with balances above the limit specified are subject to the review of their audited financial statements. The Bank assesses the financial performance of the borrowers by reviewing key performance ratios, including solvency and liquidity ratios. The annual reviews are performed by the relationship managers and are also reviewed by the Risk Management Department.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

*Quantitative disclosure*

| | **2016<br>RO '000** | **2015<br>RO '000** |
|---|---|---|
| Total exposure covered by eligible financial collateral | **34,032** | **53,682** |
| Value of the eligible collateral | **31,325** | **51,041** |

## G. MARKET RISK IN TRADING BOOK

*Qualitative disclosures*

The Bank takes on exposures to market risk which is the risk that the fair value or the future cash flows of the financial assets carried at fair value will fluctuate because of changes in market prices. Market risks arise from the open positions in interest rate, currency and equity products, all of which are exposed to changes in interest rates, credit spreads, equity prices and foreign exchange rates. The market risks are monitored by the Treasury Division and the Risk Management Department. Management is confident that the Bank has proper risk management policies in place to ensure that interest risk, liquidity risk and foreign exchange risk are mitigated considering the macroeconomic indicators affecting the banking business.

The Bank manages its market risk in the trading book using tools such as position limits and stop loss limits.

Currency risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot and forward transactions in the inter-bank market as per documented policies approved by the Board of Directors.

The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placements and other assets and liabilities denominated in foreign currency. The management manages the risk by monitoring net open position in line with limits set by the management and entering into forward contracts based on the underlying commercial transactions with the customers. Additionally, appropriate segregation of duties exist between the front and back office functions while compliance with the net open position is independently monitored on an ongoing basis by the management and the Assets and Liabilities Committee (ALCO).

*Quantitative disclosure*

The impact of 10% change in the market price of the quoted equities which are part of the investments held for trading at 31 December 2016 is ±0.09% of the total income (2015 – ± 0.13%).

## H. INTEREST RATE RISK IN BANKING BOOK

*Qualitative disclosures*
Interest rate risk is the risk that the value of a financial instrument carried at fair value will fluctuate due to changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amount of interest based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest rate risk as substantial portion of its assets and liabilities are re-priced frequently. The Bank's Assets and Liabilities Committee (ALCO) monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the Bank's profitability.

For managing its interest rate risk in the banking book the Bank stipulates limits on open interest rate sensitive gaps for maturities up to 1 year and also periodically calculates Earnings at Risk (EaR) impact on its Net Interest Income (NII) from 100bps change in interest rates on open interest rate gaps for maturities up to 1 year. The EaR limit is stipulated as a certain percentage of the NII of the Bank for the previous year.

*Quantitative disclosure*

The EaR at 31 December 2016 is 0.83% (2015 – 0.60%).

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

**H. INTEREST RATE RISK IN BANKING BOOK (continued)**

The table below summarises the Bank's exposure to the interest rate risks. It includes the Bank's financial instruments at the carrying amount, categorised by the earlier of the contractual re-pricing and maturity dates.

| **2016** | **Average effective interest rate %** | **Within 3 months RO'000** | **4 to 12 months RO'000** | **1 to 5 years RO'000** | **Over 5 years RO'000** | **Non-interest bearing RO'000** | **Total RO'000** |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances with the | | | | | | | - |
| Central Bank of Oman | 1.00 | - | | - | 500 | 252,606 | 253,106 |
| Due from banks | 0.36 | 16,659 | | - | - | 13,421 | 30,080 |
| Loans and advances | 4.80 | 339,702 | 358,478 | 854,122 | 42,497 | - | 1,594,799 |
| Investment securities | | | | | | | |
| at fair value | | - | | - | - | 18,012 | 18,012 |
| Investment–held to maturity | 1.67 | 40,290 | 20,135 | 30,210 | 5,288 | - | 95,923 |
| Other assets | | 6,155 | | - | - | 39,246 | 45,401 |
| Property and equipment | | - | | - | - | 28,651 | 28,651 |
| **Total assets** | | **402,806** | **378,613** | **884,332** | **48,285** | **351,936** | **2,065,972** |
| **Liabilities** | | | | | | | |
| Due to banks | | - | | - | - | 12,056 | 12,056 |
| Deposits from customers | 1.23 | 377,570 | 401,887 | 159,109 | - | 698,586 | 1,637,152 |
| Other liabilities | | 5,247 | | - | - | 54,256 | 59,503 |
| Perpetual Tier 1 Capital Bonds | | - | - | - | 30,000 | - | 30,000 |
| Subordinated Debt | 5.50 | - | 50,000 | 20,000 | - | - | 70,000 |
| Taxation | | - | | - | - | 4,162 | 4,162 |
| **Total liabilities** | | **382,817** | **451,887** | **179,109** | **30,000** | **769,060** | **1,812,873** |
| **Total interest sensitivity gap** | | **19,989** | **(73,274)** | **705,223** | **18,285** | **(417,124)** | **253,099** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

| 2015 | Average effective interest rate % | Within 3 months RO'000 | 4 to 12 months RO'000 | 1 to 5 years RO'000 | Over 5 years RO'000 | Non-interest bearing RO'000 | Total RO'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances with the | | | | | | | - |
| Central Bank of Oman | 1.00 | - | | - | 500 | 191,624 | 192,124 |
| Due from banks | 0.31 | 24,400 | | - | - | 58,826 | 83,226 |
| Loans and advances | 4.63 | 331,619 | 220,211 | 914,566 | 44,360 | 8,815 | 1,519,571 |
| Investment securities | | | | | | | |
| at fair value | | - | | - | - | 21,502 | 21,502 |
| Investment–held to maturity | 1.31 | 36,000 | 8,510 | 29,545 | 22,800 | - | 96,855 |
| Other assets | | 5,072 | | - | - | 35,784 | 40,856 |
| Property and equipment | | - | | - | - | 28,565 | 28,565 |
| **Total assets** | | **397,091** | **228,721** | **944,111** | **67,660** | **345,116** | **1,982,699** |
| **Liabilities** | | | | | | | |
| Due to banks | - | - | | - | - | 9,404 | 9,404 |
| Deposits from customers | 0.79 | 393,298 | 278,597 | 210,657 | 12,425 | 706,181 | 1,601,158 |
| Other liabilities | | 9,567 | | - | - | 62,188 | 71,755 |
| Subordinated Debt | 5.50 | - | | 50,000 | 20,000 | | 70,000 |
| Taxation | | - | | - | - | 4,363 | 4,363 |
| **Total liabilities** | | **402,865** | **278,597** | **260,657** | **32,425** | **782,136** | **1,756,680** |
| **Total interest sensitivity gap** | | **(5,774)** | **(49,876)** | **683,454** | **35,235** | **(437,020)** | **226,019** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

## I. LIQUIDITY RISK

*Qualitative Disclosures*

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank's funding activities are based on a range of instruments including deposits, other liabilities and assigned capital. Consequently, funding flexibility is increased and dependence on any one source of funds is reduced. The Bank maintains liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition the Bank holds certain liquid assets as part of its liquidity risk management strategy.

The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the Central Bank of Oman for the estimates. The table below represents cash flows receivable to and payable by the Bank under derivative and non derivative assets and liabilities by estimated remaining maturities at the balance sheet date.

| 2016 | On demand or within 3 months RO'000 | 3 to 12 months RO'000 | 1 to 5 Years RO'000 | Over 5 years RO'000 | Total RO'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with the Central Bank of Oman | 214,279 | 17,564 | 11,585 | 9,678 | 253,106 |
| Due from banks | 30,080 | - | | | 30,080 |
| Loans and advances | 234,796 | 129,967 | 421,011 | 809,025 | 1,594,799 |
| Investment securities | 57,797 | 20,641 | 30,210 | 5,287 | 113,935 |
| Other assets | 36,750 | 8,361 | 265 | 25 | 45,401 |
| Property and equipment | - | - | - | 28,651 | 28,651 |
| **Total assets** | **573,702** | **176,533** | **463,071** | **852,666** | **2,065,972** |
| **Liabilities** | | | | | |
| Due to banks | 12,056 | - | - | - | 12,056 |
| Deposits from customers | 414,278 | 561,178 | 365,541 | 296,155 | 1,637,152 |
| Other liabilities | 42,675 | 9,958 | 5,476 | 1,394 | 59,503 |
| Perpetual Tier 1 Capital Bonds | - | - | - | 30,000 | 30,000 |
| Subordinated bond | - | 50,000 | 20,000 | - | 70,000 |
| Taxation | 4,140 | 22 | - | - | 4,162 |
| **Total liabilities** | **473,149** | **621,158** | **391,017** | **327,549** | **1,812,873** |
| **Net assets** | **100,553** | **(444,625)** | **72,054** | **525,117** | **253,099** |
| **Forward exchange contracts at notional amounts** | | | | | |
| Purchase contracts | 7,193 | 6,006 | | | 13,199 |
| Sale contracts | (7,176) | (6,000) | | | (13,176) |
| | **17** | **6** | **-** | **-** | **23** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

| 2015 | On demand or within 3 months RO'000 | 3 to 12 months RO'000 | 1 to 5 Years RO'000 | Over 5 years RO'000 | Total RO'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with the Central Bank of Oman | 136,991 | 22,916 | 17,058 | 15,159 | 192,124 |
| Due from banks | 83,226 | - | | | 83,226 |
| Loans and advances | 295,654 | 179,139 | 402,082 | 642,695 | 1,519,571 |
| Investment securities | 56,997 | 8,510 | 30,049 | 22,800 | 118,357 |
| Other assets | 32,671 | 7,784 | 379 | 21 | 40,856 |
| Property and equipment | - | - | - | 28,565 | 28,565 |
| **Total assets** | **605,539** | **218,349** | **449,570** | **709,240** | **1,982,699** |
| **Liabilities** | | | | | |
| Due to banks | 9,404 | - | - | - | 9,404 |
| Deposits from customers | 449,078 | 483,106 | 359,919 | 309,055 | 1,601,158 |
| Other liabilities | 56,177 | 9,620 | 5,738 | 219 | 71,755 |
| Subordinated bond | - | - | 50,000 | 20,000 | 70,000 |
| Taxation | 4,085 | 278 | - | - | 4,363 |
| **Total liabilities** | **518,744** | **493,004** | **415,658** | **329,274** | **1,756,680** |
| **Net assets** | **86,795** | **(274,655)** | **33,912** | **379,966** | **226,019** |
| **Forward exchange contracts at notional amounts** | | | | | |
| Purchase contracts | 8,326 | 4,052 | | | 12,378 |
| Sale contracts | (8,321) | (4,049) | | | (12,370) |
| | **5** | **3** | **-** | **-** | **8** |

The LCR framework issued by CBO as part of the implementation of Basel III guidelines is effective from 1 January 2015, which requires the Bank to maintain the minimum LCR of 60% for 2015 with an increase of 10% each year until it reaches 100% by 2019. The LCR of the Bank is 164% as at 31 December 2016

## J. OPERATIONAL RISK

*Qualitative Disclosures*

The Bank is in the process of setting up the systems for collecting the data relating to operational risk. The measurement of the operational risk requires historical data for at least 3 years in order to perform the calculations.

*Quantitative Disclosures*

The Risk Weighted Assets for the operational risk using the Basic Indicator Approach is RO 141.500 million at 31 December 2016 (2015: RO 134.6 million).

## K. COMPOSITION OF CAPITAL DISCLOSURE

The Basel III regulations adopted by the CBO aims at strengthening the capital and liquidity standards of the banks in Oman. The elements of the Basel III regulations consist of

- Enhancing the definition of capital and strengthening the eligibility criteria for inclusion of capital instruments
- Raising the minimum capital requirements and introducing capital buffers for conservation and dealing with systemic risks in the form of Capital Conservation Buffer and Countercyclical Buffer
- Enhancing coverage of risk arising from derivatives, repos and securities financing
- Implementing the leverage ratio to control the build-up of leverage and mitigating the impact of excessive deleveraging
- Higher capital requirements for large and systemically important banks
- Implementing the Liquidity Coverage Ratio to ensure that the banks hold higher quality of liquid assets
- Implementing Net Stable Funding Ratio to ensure financing of activities with more stable source of funding

The requirements of Basel III were gradually implemented from 2013 and the higher capital requirements were implemented by 2015. The banks in Oman have to comply with the related disclosure requirements issued by CBO in the circular BM-1114 dated 16 November 2013.The transition period of phasing-in of regulatory adjustments of capital under Basel III in Oman would be from December 31, 2013 to December 31, 2018. During the transition period of phasing-in of regulatory deductions under Basel III the banks in Oman will use a modified version of disclosure of the components of capital.

A reconciliation of the Bank’s Statement of Financial Position with the regulatory capital elements is provided as follows using the three step approach outlined by the Basel Committee:

**Step 1: Disclosure of the reported statement of financial position under the regulatory scope of consolidation**

This step involves disclosing how the balance sheet in the published financial statements changes when the regulatory scope of consolidation is applied. This disclosure is not made since there is no difference between the scope of regulatory and accounting consolidation.

**Step 2: Expanding the lines of the regulatory statement of financial position to display all of the components used in the definition of capital disclosure template**

The rows of the regulatory-scope statement of financial position have been expanded such that all of the components used in the composition of capital disclosure are displayed separately.

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

| **RECONCILIATION** | **Financial Position as in published financial statements** | **Under regulatory scope of consolidation** |
|---|---|---|
| | **As at Dec-31-2016** | **As at Dec-31-2016** |
| | **RO '000** | **RO '000** |
| **Assets** | | |
| Cash and balances with CBO | 253,106 | 253,106 |
| Balance with banks and money at call and short notice | 30,080 | 30,080 |
| Investments : | **113,935** | **113,935** |
| Of which : | | |
| Held to Maturity | 95,923 | 95,923 |
| Available for Sale | 17,384 | 17,384 |
| Held for Trading | 628 | 628 |
| Loans and advances | **1,594,799** | **1,594,799** |
| Of which : | | |
| Loans and advances to domestic banks | - | - |
| Loans and advances to non-resident banks | - | - |
| Loans and advances to domestic customers | 1,578,828 | 1,476,942 |
| Loans and advances to non-resident Customers for domestic operations | - | - |
| Loans and advances to non-resident Customers for operations abroad | - | - |
| Loans and advances to SMEs | - | 101,886 |
| Financing from Islamic banking window | 66,034 | 66,034 |
| Provision for loan impairment | (50,063) | (50,063) |
| Of which : | | |
| Specific provision | (27,376) | (27,376) |
| General provision | (22,687) | (22,687) |
| Fixed assets | 28,651 | 28,651 |
| **Other assets** | **45,401** | **45,401** |
| **Total Assets** | **2,065,972** | **2,065,972** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

| RECONCILIATION | Financial Position as in published financial statements | Under regulatory scope of consolidation |
|---|---|---|
| **Capital & Liabilities** | | |
| **Paid-up Capital** | **127,000** | **127,000** |
| Of which: | | |
| Amount eligible for CET1 | 127,000 | 127,000 |
| Amount eligible for AT1 | 30,000 | 30,000 |
| **Reserves & Surplus** | **126,099** | **126,099** |
| Of which: | | |
| Legal reserve | 35,821 | 35,821 |
| General reserve | 25,560 | 25,560 |
| Retained earnings | 8,390 | 8,390 |
| Proposed dividends | | |
| Cumulative changes in fair value of investments | (72) | (72) |
| Of which: | | |
| Amount eligible for Tier 2 capital | - | - |
| Amount ineligible due to regulatory adjustment | (72) | (72) |
| Subordinated debt reserve | 54,000 | 54,000 |
| **Special Reserve** | **2,400** | **2,400** |
| **Total Capital** | **283,099** | **283,099** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES**
**FOR THE YEAR ENDED 31 DECEMBER 2016**

| RECONCILIATION | Financial Position as in published financial statements | Under regulatory scope of consolidation |
|---|---|---|
| Deposits | **1,637,152** | **1,637,152** |
| Of which: | | |
| Deposits from banks | - | - |
| Customer deposits | 1,569,393 | 1,569,393 |
| Deposits of Islamic Banking window | **67,759** | **67,759** |
| Borrowings | **82,056** | **82,056** |
| Of which: | | |
| From CBO | - | - |
| From banks | 12,056 | 12,056 |
| From other institutions & agencies | - | - |
| Borrowings in the form of bonds,Debentures and sukuks | 70,000 | 70,000 |
| Of which: | | |
| Directly issued qualifying Tier 2 instruments | 70,000 | 16,000 |
| Amount de-recognised from Tier 2 capital | - | 54,000 |
| **Other liabilities & provisions** | **63,665** | **63,665** |
| **Total Capital, Other liabilities & provisions** | **2,065,972** | **2,065,972** |

**DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2016**

**Step 3: Mapping each of the components that are disclosed in Step 2 to the composition of capital disclosure**

| | **Common Equity Tier 1 capital: instruments and reserves** | **Under regulatory scope of consolidation** |
|---|---|---|
| 1 | Directly issued qualifying common share capital | 127,000 |
| 2 | Retained earnings | 8,390 |
| 3 | Accumulated other comprehensive income (and other reserves) | 117,545 |
| 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 (amount allowed in group CET1) | |
| 6 | **Common Equity Tier 1 capital (CET1)** | **252,935** |
| 7 | **Additional Tier 1 capital (AT1)** | 30,000 |
| 8 | **Tier 1 capital (T1 = CET1 + AT1)** | **282,935** |
| | **Tier 2 capital: instruments and provisions** | |
| 9 | Directly issued qualifying Tier 2 instruments | 16,000 |
| 10 | Provisions | 22,687 |
| 11 | Amount of Cumulative changes in fair value of investments eligible for Tier 2 capital | - |
| 12 | **Tier 2 capital (T2)** | **38,687** |
| | **Total capital (TC = T1 + T2)** | **321,622** |

The Bank issued unsecured subordinated bonds for OMR 50 Million through private placement on 10 April 2012. The bank obtained subordinated loans of RO 20 Million, Which comply with Basel III requirements for tier-2 capital, for a tenor of five years and six months in November 2015. The bonds and the subordinated loans are eligible for inclusion in Tier 2 capital under the Basel III regulations. On 29 December 2016, the Bank issued unsecured perpetual Tier 1 bonds of RO 30 Million. The full terms and conditions of the bonds and the subordinated loans are available in the bank's website. The main features of the bonds are as follows:

| **Main features of Subordinated Bonds** | | |
|---|---|---|
| Issuer | OMAN ARAB BANK | OMAN ARAB BANK |
| Unique identifier<br>(eg CUSIP, ISIN or Bloomberg identifier for private placement) | - | - |
| Governing law(s) of the instrument *Regulatory treatment* | Oman Banking law | Oman Banking law |
| Transitional Basel III rules | Not Eligible for inclusion in Tier -2 Capital | Eligible for inclusion in Tier -2 Capital |
| Post-transitional Basel III rules | Eligible for inclusion in Tier -2 Capital | Eligible for inclusion in Tier -2 Capital |
| Eligible at solo/group/group & solo | Solo | Solo |
| Instrument type (types to be specified by each jurisdiction) | Bonds | Loan |
| Amount recognized in regulatory capital<br>(Currency in mil, as of most recent reporting date) | OMR 50 Million | OMR 20 Million |
| Par value of instrument | OMR 50 Million | OMR 20 Million |
| Accounting classification | Subordinated Debt | Subordinated Debt |
| Original date of issuance | 4/10/2012 | 11/30/2015 |
| Perpetual or dated | Dated | Dated |
| Original maturity date | 5/10/2017 | 5/30/2021 |
| Issuer call subject to prior supervisory approval | - | - |
| Optional call date, contingent call dates and redemption amount | - | - |
| Subsequent call dates, if applicable | - | - |
| ***Coupons / dividends*** | | |
| Fixed or floating dividend/coupon | Fixed coupon | Fixed coupon |
| Coupon rate and any related index | 5.50% | 5.50% |
| Existence of a dividend stopper | - | - |
| Fully discretionary, partially discretionary or mandatory | - | - |
| Existence of step up or other incentive to redeem | - | - |
| Noncumulative or cumulative | Non-cumulative | Non-cumulative |
| Convertible or non-convertible | Non-convertible | Non-convertible |
| If convertible, conversion trigger (s) | - | - |
| If convertible, fully or partially | - | - |
| If convertible, conversion rate | - | - |
| If convertible, mandatory or optional conversion | - | - |
| If convertible, specify instrument type convertible into | - | - |
| If convertible, specify issuer of instrument it converts into | - | - |
| Write-down feature | - | - |
| If write-down, write-down trigger(s) | - | - |
| If write-down, full or partial | - | - |
| If write-down, permanent or temporary | - | - |
| If temporary write-down, description of write-up mechanism | - | - |
| Position in subordination hierarchy in liquidation<br>(specify instrument type immediately senior to instrument) | Subordinate to depositors and general creditors | Subordinate to depositors and general creditors |
| Non-compliant transitioned features | - | - |

**Main features of perpetual Subordinated Bonds**

| | | |
|---|---|---|
| 1 | Issuer | OMAN ARAB BANK |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | - |
| 3 | Governing law(s) of the instrument *Regulatory treatment* | Oman Banking law |
| 4 | Transitional Basel III rules | Not Eligible for inclusion in Tier -1 Capital |
| 5 | Post-transitional Basel III rules | Eligible for inclusion in Tier -1 Capital |
| 6 | Eligible at solo/group/group & solo | Solo |
| 7 | Instrument type (types to be specified by each jurisdiction) | Bonds |
| 8 | Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date) | OMR 30 Million |
| 9 | Par value of instrument | OMR 30 Million |
| 10 | Accounting classification | perpetual Subordinated Bonds |
| 11 | Original date of issuance | 29/12/2016 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | - |
| 14 | Issuer call subject to prior supervisory approval | - |
| 15 | Optional call date, contingent call dates and redemption amount | - |
| 16 | Subsequent call dates, if applicable | - |
| | ***Coupons / dividends*** | |
| 17 | Fixed or floating dividend/coupon | Fixed coupon |
| 18 | Coupon rate and any related index | 7.75% |
| 19 | Existence of a dividend stopper | - |
| 20 | Fully discretionary, partially discretionary or mandatory | - |
| 21 | Existence of step up or other incentive to redeem | - |
| 22 | Noncumulative or cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger (s) | - |
| 25 | If convertible, fully or partially | - |
| 26 | If convertible, conversion rate | - |
| 27 | If convertible, mandatory or optional conversion | - |
| 28 | If convertible, specify instrument type convertible into | - |
| 29 | If convertible, specify issuer of instrument it converts into | - |
| 30 | Write-down feature | Yes |
| 31 | If write-down, write-down trigger(s) | non-viability event |
| 32 | If write-down, full or partial | full or partial |
| 33 | If write-down, permanent or temporary | Permanent |
| 34 | If temporary write-down, description of write-up mechanism | - |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Subordinate to depositors and general creditors |
| 36 | Non-compliant transitioned features | - |

The following table shows the composition of capital under Basel III:

| | **BASEL-III DISCLOSURE AS AT DECEMBER 31 2016** | **AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT** |
|---|---|---|
| | **Common Equity Tier 1 capital: instruments and reserves** | **RO '000** |
| 1 | Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus | 127,000 |
| 2 | Retained earnings | 8,390 |
| 3 | Accumulated other comprehensive income (and other reserves) | 117,781 |
| 4 | Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies) | - |
| | *Public sector capital injections grandfathered until 1 January 2018* | - |
| 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** | **253,171** |
| | **Common Equity Tier 1 capital: regulatory adjustments** | |
| 7 | Prudential valuation adjustments | (72) |
| 8 | Goodwill (net of related tax liability) | |
| 9 | Other intangibles other than mortgage-servicing rights (net of related tax liability) | (164) |
| 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 14.9 of CP-1) | - |
| 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) | - |
| 17 | Reciprocal cross-holdings in common equity | - |
| 18 | Investments in the capital of banking, financial, insurance and takaful 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, insurance and takaful 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 | National specific regulatory adjustments | - |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to Pre-Basel III Treatment | - |
| 28 | Perpetual Bonds | - |
| 29 | **Total regulatory adjustments to Common equity Tier 1** | **(236)** |
| 29 | **Common Equity Tier 1 capital (CET1)** | **252,935** |
| | **Additional Tier 1 capital: instruments** | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 30,000 |
| 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* | *of which: instruments issued by subsidiaries subject to phase out* | - |
| 36 | **Additional Tier 1 capital before regulatory adjustments** | **30,000** |
| **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, insurance and takaful 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, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - |
| 41 | National specific regulatory adjustments | - |
| | REGULATORY ADJUSTMENTS APPLIED TO ADDITIONAL TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT | - |
| 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)** | **30,000** |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | **282,935** |
| **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* | Subordinated term debt. | 16,000 |
| 50 | Provisions | 22,687 |
| 51 | **Tier 2 capital before regulatory adjustments** | **38,687** |
| **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, insurance and takaful 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, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - |
| 56 | National specific regulatory adjustments | - |
| | REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT. | - |
| | OF WHICH: Cumulative unrealised gains on available-for-sale financial instruments | - |
| 57 | **Total regulatory adjustments to Tier 2 capital** | **-** |
| 58 | **Tier 2 capital (T2)** | **38,687** |
| 59 | **Total capital (TC = T1 + T2)** | **321,622** |
| | **RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT** | 1,997,021 |
| 60 | **Total risk weighted assets (60a+60b+60c)** | **1,997,021** |
| 60a | *Of which: Credit risk weighted assets* | 1,852,546 |
| 60b | *Of which: Market risk weighted assets* | 2,975 |
| 60c | *Of which: Operational risk weighted assets* | 141,500 |
| **Capital Ratios** | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 12.67% |
| 62 | Tier 1 (as a percentage of risk weighted assets) | 14.17% |
| 63 | Total capital (as a percentage of risk weighted assets) | 16.11% |
| 64 | Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB/D-SIB buffer requirement expressed as a percentage of risk weighted assets) | 7.625% |
| 65 | *of which: capital conservation buffer requirement* | 0.625% |
| 66 | *of which: bank specific countercyclical buffer requirement* | *0%* |
| 67 | *of which: D-SIB/G-SIB buffer requirement* | *0%* |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | 2.22% |
| **National minima (if different from Basel III)** | | |

| | | |
|---|---|---|
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum) | 7.00% |
| 70 | National Tier 1 minimum ratio (if different from Basel 3 minimum) | 9.00% |
| 71 | National total capital minimum ratio (if different from Basel 3 minimum) | 12.625% |
| | **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) | 22,687 |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 1.25% |
| 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 | - |
| | **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | |
| 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)* | - |