OMAN ARAB BANK SAOC

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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

EY
Building a better working world

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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 2018. 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 2018 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

Muscat
18 March 2019

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س.ت: ١٢٢٤٠١٣
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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	134,620
Legal reserve	41,490
General reserve	25,560
Special reserve	2,400
Subordinated Debt reserve	12,000
Other disclosed reserves	(2,059)
Other intangibles	(59)
Retained earnings	53,990
Perpetual Bonds	72,553
Tier 1 Capital	**340,495**
Eligible expected credit loss on loans & advances and financing to customers	20,756
Subordinated term debt	8,000
Tier 2 Capital	**28,756**
Total Capital	**369,251**

Tier 1 Capital

The Bank's authorised share capital is RO 200,000,000 and issued share capital comprises 1,346,200,000 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.

Additionally, on 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of RO 42.5 million (42,553,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7.5% 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 are in pari-passu with earlier issue.

Tier 2 Capital

Tier 2 Capital consists of the Subordinated Bonds, eligible Expected Credit Loss (ECL) on loans & advances and financing to customers as required by the CBO and cumulative fair value gains on eligible investments securities as allowed under the guidelines for Basel II by CBO.

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 eligible ECL is 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.

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C. CAPITAL ADEQUACY (continued)

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

2018

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	2,384,572	2,376,763	1,739,248
2	Off -Balance sheet Item	785,370	312,033	277,421
	Assets for Operations risk	148,375	148,375	148,375
	Assets in Trading book	25,775	25,775	25,775
3	Derivatives	46,718	46,718	41,801
4	**Total**	**3,390,810**	**2,909,664**	**2,232,620**
5	Tier 1 Capital			340,495
6	Tier 2 Capital			28,756
7	Tier 3 Capital			-
8	**Total Regulatory Capital**			**369,251**
8.1	Capital requirement for credit risk			265,028
8.2	Capital requirement for market risk			3,319
8.3	Capital requirement for operational risk			19,103
9	**Total required capital**			**287,450**
10	**Tier 1 Ratio**			**15.25%**
11	**Total Capital Ratio**			**16.54%**

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Quantitative disclosure (continued)

Table-1 (continued)

2017

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	2,189,460	2,201,528	1,547,474
2	Off -Balance sheet Item	897,448	395,619	321,297
	Assets for Operations risk	143,438	143,438	143,438
	Assets in Trading book	30,713	30,713	30,713
3	Derivatives	19,943	19,943	16,277
4	**Total**	**3,281,002**	**2,791,241**	**2,059,199**
5	Tier 1 Capital			290,267
6	Tier 2 Capital			32,756
7	Tier 3 Capital			-
8	**Total Regulatory Capital**			**323,023**
8.1	Capital requirement for credit risk			249,769
8.2	Capital requirement for market risk			4,069
8.3	Capital requirement for operational risk			19,006
9	**Total required capital**			**272,844**
10	**Tier 1 Ratio**			**14.10%**
11	**Total Capital Ratio**			**15.69%**

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.

Credit risk is one of the most significant risks for the Bank. The Bank has a robust credit risk framework and policies for each of the businesses it operates. The policies are aligned with the risk appetite and credit limits are set up based on the counter party risk rating, industry sector, and as per the guidelines of Central Bank of Oman. Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is carried out which includes an analysis of the obligor financial condition, market position, business environment and quality of management. The credit risk management and control are centralised in the credit risk management and credit review teams 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 Risk Department while the Retail Banking Department manages the credit risk with predefined programs. 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 risk management framework also includes policies with respect to problem recognition, early warning lists, watch lists, classification parameters and risk rating adjustments.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and taking into consideration both internal and external indicators, expert credit assessment, guidelines issued by CBO and inclusion of forward-looking information. Besides assessing the qualitative characteristics, 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 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.

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. In assessing whether a borrower is in default, the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

Given the nature of the bank’s exposures and availability of historical statistically reliable information, the bank derives the point-in-time (PIT) probability of default (PD) using Banks own internal historical experience. The Bank links TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The methodology takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data, the asset correlation of each rating category, and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data

Credit Risk Management and Control

The Bank monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a certain rating scale. The internal credit rating is a measure of the credit-worthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, medium-term, foreign currency credit exposure. The primary objectives of the internal credit rating system are the maintenance of a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits.

The internal ratings map as follows:

Internal rating grade	***Internal classification***
Investment grade	
Rating grade 1	Standard
Rating grade 2	Standard
Rating grade 3	Standard
Rating grade 4	Standard
Rating grade 5	Standard
Sub-investment grade	
Rating grade 6	Standard
Rating grade 7	Standard
Rating grade 8	Standard
Rating grade 9	Standard
Rating grade 10	Standard
SM	Special Mention
Classified	
SS	Sub-standard
DD	Doubtful
LS	Loss

The Bank's internal credit rating grades along with the respective PDs are as below:

Internal rating grades	Internal rating grade description	12 M PD (Corporate) (%)	12 M PD (Retail) (%)
1	Exceptional	0.079	0.03
2	Excellent	0.124	0.03
3	Very Strong	0.194	0.03
4	Strong	0.303	0.153
5	Strong	0.594	0.188
6	Acceptable	0.744	0.201
7	Acceptable	1.163	0.561
8	Average	1.817	1.132
9	Average	2.833	1.645
10	Marginal	4.503	18.919

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

Some other specific control and mitigation measures are outlined below.

(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
- 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 generally 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 relationship managers remain in close contact with the borrowers. 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 Credit Review 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.

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 (applicable to 2017 only)

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 annual 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.

(c) Credit-related commitments (continued)

Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD estimates are estimates at a certain date, and are calculated using the banks internal recovery data after consideration of the contractual maturities of exposures and estimated prepayment rates.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12-month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. The bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties, based on historical data using both internal and external factors.

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario

Credit Risk Management and Control (continued)

Quantitative disclosure

ii. Gross credit risk exposures

Table-2
2018

Sl.No	Type of credit exposure	Average Gross Exposure		Total Gross Exposure as at	
		2018	2017	31-Dec-18	31-Dec-17
		RO'000	RO'000	RO'000	RO'000
1	Overdrafts	155,361	153,253	143,402	152,739
2	Personal Loans	740,382	719,104	767,409	718,696
3	Loans against Trust Receipts	108,796	83,951	107,768	98,159
4	Other Loans	775,839	688,970	790,102	659,913
5	Bills Purchased Discounted	73,805	75,862	79,355	74,965
	Total	**1,854,183**	**1,721,140**	**1,888,036**	**1,704,472**

iii. Geographic distribution of exposures

Table-3

2018

Sl. No	Type of credit exposure	Oman	Other GCC countries	OECD countries	India	Pakistan	Others	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	143,402	-	-	-	-	-	143,402
2	Personal Loans	767,409	-	-	-	-	-	767,409
3	Loans against Trust Receipts	107,768	-	-	-	-	-	107,768
4	Other Loans	790,102	-	-	-	-	-	790,102
5	Bills Purchased/Discounted	79,355	-	-	-	-	-	79,355
	Total	**1,888,036**	-	-	-	-	-	**1,888,036**

2017

Sl. No	Type of credit exposure	Oman	Other GCC countries	OECD countries	India	Pakistan	Others	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	152,739	-	-	-	-	-	152,739
2	Personal Loans	718,696	-	-	-	-	-	718,696
3	Loans against Trust Receipts	98,159	-	-	-	-	-	98,159
4	Other Loans	659,913	-	-	-	-	-	659,913
5	Bills Purchased/Discounted	74,965	-	-	-	-	-	74,965
	Total	**1,704,472**	-	-	-	-	-	**1,704,472**

iv. Industry or counterparty type distribution of exposures

Table-4
2018

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	7,936	51,264	4,468	-	63,668	80,184
2	Export Trade	394	35	-	-	429	154,109
3	Wholesale & Retail Trade	11,192	53,957	599	-	65,748	9,375
4	Mining & Quarrying	7,379	138,367	1,155	-	146,901	1,681
5	Construction	51,515	124,374	61,590	-	237,479	319,586
6	Manufacturing	13,598	95,215	4,009	-	112,822	2,114
7	Electricity, gas & water	1,733	52,876	311	-	54,920	187,620
8	Transport & communication	1,083	113,730	166	-	114,979	4,206
9	Financial Institutions	2,575	63,395	144	-	66,114	-
10	Services	15,608	93,990	5,279	-	114,877	3,023
11	Personal Loans	-	767,409	-	-	767,409	-
12	Agriculture & Allied Activities	1,352	3,250	884	-	5,486	-
13	Government	-	-	-	-	-	23,472
14	Non-Resident Lending	-	2,048	-	-	2,048	-
15	All Others	29,037	105,369	750	-	135,156	-
16	**Total (1 to 15)**	**143,402**	**1,665,279**	**79,355**	**-**	**1,888,036**	**785,370**

2017

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	6,203	40,973	3,272	-	50,448	25,303
2	Export Trade	66	873	127	-	1,066	235,188
3	Wholesale & Retail Trade	9,610	41,201	975	-	51,786	11,711
4	Mining & Quarrying	2,538	124,055	579	-	127,172	56
5	Construction	32,784	196,984	50,986	-	280,754	322,321
6	Manufacturing	10,737	99,363	4,890	-	114,990	2,929
7	Electricity ,gas & water	330	50,472	1,025	-	51,827	236,007
8	Transport & communication	8,680	67,722	70	-	76,472	16,046
9	Financial Institutions	113	55,144	144	-	55,401	-
10	Services	10,400	76,278	3,167	-	89,845	2,823
11	Personal Loans	-	722,482	-	-	722,482	-
12	Agriculture & Allied Activites	350	4,400	742	-	5,492	-
13	Government	-	-	-	-	-	45,064
14	Non-Resident Lending	-	1,305	-	-	1,305	-
15	All Others	70,928	(4,484)	8,988	-	75,432	-
16	**Total (1 to 15)**	**152,739**	**1,476,768**	**74,965**	**-**	**1,704,472**	**897,448**

v. Residual contractual maturity of credit exposure

Table-5

2018

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	11,472	181,245	35,555	-	228,272	181,352
2	1-3 months	11,472	131,065	35,293	-	177,830	214,344
3	3-6 months	11,472	53,367	7,813	-	72,652	140,199
4	6-9 months	11,472	28,521	51	-	40,044	117,921
5	9-12 months	11,472	41,900	621	-	53,993	67,995
6	1-3 years	28,680	205,194	-	-	233,874	62,582
7	3-5 years	28,680	187,358	-	-	216,038	328
8	Over 5 years	28,682	836,629	22	-	865,333	649
9	**Total**	**143,402**	**1,665,279**	**79,355**	**-**	**1,888,036**	**785,370**

2017

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	7,637	68,377	22,950	-	98,964	196,023
2	1-3 months	7,637	58,005	33,521	-	99,163	333,326
3	3-6 months	7,637	88,828	16,170	-	112,635	62,311
4	6-9 months	7,637	50,169	2,300	-	60,106	47,788
5	9-12 months	7,637	42,976	2	-	50,615	64,162
6	1-3 years	38,184	210,018	-	-	248,202	176,549
7	3-5 years	38,184	149,886	-	-	188,070	17,289
8	Over 5 years	38,184	808,511	22	-	846,717	-
9	**Total**	**152,737**	**1,476,770**	**74,965**	**-**	**1,704,472**	**897,448**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2017

vi. Loans and provisions by major industry or counterparty type
Table-6
2018

SI. NO	Economic Sector	Gross Loans RO'000	Of which Stage 3 loans RO'000	ECL held for Stage 1 & 2 RO'000	ECL held for Stage 3 RO'000	Stage 3 ECL Provided during the year * RO'000	Advances written off during the year RO'000
1	Import Trade	63,668	2,778	1,590	1,013	188	9
2	Export Trade	429	782	(9)	43	3	
3	Wholesale & retail trade	65,748	3,988	1,613	3,768	85	187
4	Mining & quarrying	146,901	-	3,837	-	28	1
5	Construction	237,479	6,709	6,027	2,775	1,354	612
6	Manufacturing	112,822	12,089	2,631	4,003	351	22
7	Electricity ,gas & water	54,920	18	1,434	18		
8	Transport & communication	114,979	957	2,978	564	125	
9	Financial Institutions	66,114	1	1,727	2	88	
10	Services	114,877	2,923	2,924	1,144	217	123
11	Personal Loans	767,409	12,896	4,022	5,222	8,190	1,824
12	Agriculture & Allied Activities	5,486	567	128	258	82	
13	Government	-	-	-	-		
14	Non-Resident Lending	2,048	-	53	-		
15	All Others	135,156	7,793	3,328	4,664	862	3,810
16	**Total**	**1,888,036**	**51,501**	**32,283**	**23,474**	**11,573**	**6,588**

***** The ECL shown under this column represents the stage 3 ECL and reserve interest made during the year.

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2017

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	50,448	2,912	475	835	883	94	
2	Export Trade	1,066	59	10	22	3	-	31
3	Wholesale & retail trade	51,786	1,402	504	750	282	41	452
4	Mining & quarrying	127,172	6	1,272	6	1	19	
5	Construction	280,754	10,774	2,700	5,063	1,904	1,177	377
6	Manufacturing	114,990	14,311	1,007	3,322	2,162	445	26
7	Electricity ,gas & water	51,827	-	518	-	-	-	-
8	Transport & communication	76,472	652	758	313	40	315	-
9	Financial Institutions	55,401	555	548	290	78	21	-
10	Services	89,845	1,743	881	791	160	460	31
11	Personal Loans	722,482	12,702	11,773	7,075	1,117	5,168	2,070
12	Agriculture & Allied Activities	5,492	785	47	459	71	330	-
13	Government	-	-	-	-	-	-	-
14	Non-Resident Lending	1,305	-	13	-	-	-	-
15	All Others	75,432	4,372	711	3,004	611	1,954	119
16	**Total**	**1,704,472**	**50,273**	**21,217**	**21,930**	**7,312**	**10,024**	**3,106**

***** 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 2017

vii. Geographic distribution of impaired loans

Table-7

2018

SI. No	Countries	Gross Loans RO'000	Of which Stage 3 loans RO'000	ECL held for Stage 1 & 2 RO'000	ECL held for Stage 3 RO'000	Stage 3 ECL Provided during the year * RO'000	Advances written off during the year RO'000
1	Oman	1,888,036	51,501	32,283	23,474	11,573	6,588
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
7	**Total**	**1,888,036**	**51,501**	**32,283**	**23,474**	**11,573**	**6,588**

2017

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	1,704,472	50,273	21,217	21,930	7,312	10,024	3,106
2	Other GCC countries	-	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-	-
4	India	-	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-	-
6	Others	-	-	-	-	-	-	-
7	**Total**	**1,704,472**	**50,273**	**21,217**	**21,930**	**7,312**	**10,024**	**3,106**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2017

viii. Movement in gross loans

Table-8

Movement of Gross Loans during the year - 2018

Sl.No	Details	Stage 1 RO'000	Stage 2 RO'000	Stage 3 RO'000	Total RO'000
1	Opening Balance	1,462,691	191,508	50,273	**1,704,472**
2	Migration /changes(+/-)	82,466	(75,846)	(6,620)	**-**
3	New Loans	781,505	247,546	16,750	**1,045,801**
4	Recovery of Loans	(812,838)	(40,496)	(2,315)	**(855,649)**
5	Loans written off	1	-	6,587	**6,588**
6	Closing Balance	1,513,823	322,712	51,501	**1,888,036**
7	Expected credit loss held	7,871	24,412	23,474	**55,757**

Movement of Gross Loans during the year - 2017

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	1,385,033	211,891	2,910	6,727	38,301	**1,644,862**
2	Migration /changes(+/-)	9,689	1,424	(7,642)	(4,566)	1,095	**-**
3	New Loans	956,489	94,111	7,586	1,888	8,413	**1,068,487**
4	Recovery of Loans	(888,514)	(115,915)	(114)	(108)	(1,119)	**(1,005,770)**
5	Loans written off	5	3	4	2	3,093	**3,107**
6	Closing Balance	1,462,692	191,508	2,760	3,963	43,550	**1,704,472**
7	Provisions held	19,095	2,122	805	1,632	19,493	**43,147**
8	Reserve Interest	-	-	77	141	7,094	**7,312**

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%.

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

Quantitative Disclosure

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

Table-9

2018

Sl. No	Risk bucket	0% RO '000	20% RO' 000	35% RO' 000	50% RO' 000	75% RO' 000	100% RO' 000	150% RO' 000	Total RO' 000
1	Sovereigns(Rated)	341,880	-	-	-	-	-		341,880
2	Banks(Rated)	-	77,944	-	115,580	-	120,625	469	314,618
3	Corporate	-	21,189	-	-	-	826,326		847,515
4	Retail	-	-	-	-	32,424	414,541		446,965
5	Claims secured by residential property	-	-	178,517	-	-	135,774		314,291
6	Claims secured by commercial property	-	-	-	-	-	287,973		287,973
7	Past due loans	-	-	-	-	-	16,867		16,867
8	Other assets	40,309	-	-	-	-	85,563		125,872
9	Un-drawn exposure	-	-	221	14944		24,368		39,533
	Total	**382,189**	**99,133**	**178,738**	**130,524**	**32,424**	**1,912,037**	**469**	**2,735,514**

2017

Sl. No	Risk bucket	0% RO '000	20% RO' 000	35% RO' 000	50% RO' 000	75% RO' 000	100% RO' 000	150% RO' 000	Total RO' 000
1	Sovereigns(Rated)	297,120	-	-	-	-	-		297,120
2	Banks(Rated)	-	117,324	-	115,512	-	130,837	557	364,230
3	Corporate	-	37,765	-	-	-	774,288		812,053
4	Retail	-	-	-	-	37,341	395,062		432,403
5	Claims secured by residential property	-	-	220,558	-	-	57,082		277,640
6	Claims secured by commercial property	-	-	-	-	-	207,671		207,671
7	Past due loans	-	-	-	-	-	21,379		21,379
8	Other assets	39,299	-	-	-	-	89,166		128,465
9	Un-drawn exposure	-	-	92	67,098		8,939		76,129
	Total	**336,419**	**155,089**	**220,650**	**182,610**	**37,341**	**1,684,424**	**557**	**2,617,090**

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

	2018 **RO '000**	**2017** **RO '000**
Total exposure covered by eligible financial collateral	**22,479**	**39,052**
Value of the eligible collateral	**22,388**	**38,698**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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 FVTPL at 31 December 2018 is ±1.14% of the total income (2017 - ±0.08%).

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 2018 is 2.49% (2017 – 2.36%).

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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.

2018	Average effective interest rate %	Within 3 months RO'000	4 to 6 months RO'000	7 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	194,301	194,801
Due from banks	1.72	83,978	-	-	-	-	7,294	91,272
Loans and advances	5.27	653,364	62,205	11,683	1,069,564	36,001	-	1,832,817
Investment securities at FVTPL & FVOCI		-	-	-	-	-	8,914	8,914
Investment at Held to collect	4.57	-	-	20,000	30,714	71,548	-	122,262
Other assets		15,957	-	-	-	-	32,550	48,507
Property and equipment		-	-	-	-	-	30,245	30,245
Total assets		**753,299**	**62,205**	**31,683**	**1,100,278**	**108,049**	**273,304**	**2,328,818**
Liabilities								
Due to banks		-	5,000	-	4,000	-	6,207	15,207
Deposits from customers	1.73	306,328	215,448	253,627	173,190	-	921,965	1,870,558
Other liabilities		5,329	-	-	-	-	54,912	60,241
Subordinated debt	5.50	-	-	-	20,000	-	-	20,000
Taxation		-	-	-	-	-	5,936	5,936
Total liabilities		**311,657**	**220,448**	**253,627**	**197,190**	**-**	**989,020**	**1,971,942**
Total interest sensitivity gap		**441,642**	**(158,243)**	**(221,944)**	**903,088**	**108,049**	**(715,716)**	**356,876**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

2017	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	161,487	161,987
Due from banks	0.94	93,747		-	-	15,121	108,868
Loans and advances	5.08	528,730	163,155	913,657	48,471	-	1,654,013
Investment securities							
at fair value		-		-	-	14,574	14,574
Investment–held to maturity	1.67	23,000	19,000	28,668	53,179	-	123,847
Other assets		8,657		-	-	37,623	46,280
Property and equipment		-		-	-	29,430	29,430
Total assets		**654,134**	**182,155**	**942,325**	**102,150**	**258,235**	**2,138,999**
Liabilities							
Due to banks		-		-	-	4,011	4,011
Deposits from customers	1.58	426,011	331,338	175,924	-	813,583	1,746,856
Other liabilities		3,364		-	-	54,329	57,693
Subordinated debt	5.50	-	-	20,000	-	-	20,000
Taxation		-		-	-	4,891	4,891
Total liabilities		**429,375**	**331,338**	**195,924**	**-**	**876,814**	**1,833,451**
Total interest sensitivity gap		**224,759**	**(149,183)**	**746,401**	**102,150**	**(618,579)**	**305,548**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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.

2018	On demand or within 3 months	3 to 12 months	Sub total	1 to 5 Years	Over 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Assets						
Cash and balances with the Central Bank of Oman	152,931	19,328	172,259	10,056	12,486	194,801
Due from banks	91,272	-	91,272	-	-	91,272
Loans and advances	406,197	160,820	567,017	449,912	815,888	1,832,817
Investment securities	11,356	20,000	31,356	28,326	71,494	131,176
Other assets	41,101	7,392	48,493	-	14	48,507
Property and equipment	-	-	-	-	30,245	30,245
Total assets	**702,857**	**207,540**	**910,397**	**488,294**	**930,127**	**2,328,818**
Liabilities						
Due to banks	15,207	-	15,207	-	-	15,207
Deposits from customers	377,641	695,819	1,073,460	362,033	435,065	1,870,558
Other liabilities	42,658	9,644	52,302	7,434	505	60,241
Subordinated loans	-	-	-	20,000	-	20,000
Taxation	5,363	573	5,936	-	-	5,936
Total liabilities	**440,869**	**706,036**	**1,146,905**	**389,467**	**435,570**	**1,971,942**
Net assets	**261,988**	**(498,496)**	**(236,508)**	**98,827**	**494,557**	**356,876**

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.

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 657% as at 31 December 2018

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

2017	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	124,132	15,460	12,449	9,946	161,987
Due from banks	108,868	-	-	-	108,868
Loans and advances	198,126	216,046	436,272	803,569	1,654,013
Investment securities	37,613	19,000	28,667	53,141	138,421
Other assets	37,561	8,701	-	18	46,280
Property and equipment	-	-	-	29,430	29,430
Total assets	**506,300**	**259,207**	**477,388**	**896,104**	**2,138,999**
Liabilities					
Due to banks	4,011	-	-	-	4,011
Deposits from customers	435,823	539,644	435,949	335,440	1,746,856
Other liabilities	40,275	10,982	5,951	485	57,693
Subordinated bond	-	-	20,000	-	20,000
Taxation	4,798	93	-	-	4,891
Total liabilities	**484,907**	**550,719**	**461,900**	**335,925**	**1,833,451**
Net assets	**21,393**	**(291,512)**	**15,488**	**560,179**	**305,548**

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.

As a part of Business Continuity Management initiatives, the Bank has taken necessary actions to ensure effective measures in case of a crisis situation, e.g. evacuation drills, testing of critical systems and applications from the Disaster Recovery site. The Bank has the capability to ensure that critical banking processes are tested to ascertain availability during such situations.

Quantitative Disclosures

The Risk Weighted Assets for the operational risk using the Basic Indicator Approach is RO 148.375 million at 31 December 2018 (2017: RO 143.438 million).

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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.

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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.

RECONCILIATION	Financial Position as in published financial statements	Under regulatory scope of consolidation
	As at Dec-31-2018	As at Dec-31-2018
	RO '000	RO '000
Assets		
Cash and balances with CBO	**194,801**	194,801
Balance with banks and money at call and short notice	**91,272**	91,272
Investments :	**131,176**	**131,176**
Of which :		
Held to collect	122,262	122,262
FVOCI	4,883	4,883
FVPL	4,031	4,031
Held for Trading	-	-
Loans and advances	**1,832,817**	**1,843,806**
Of which :		
Loans and advances to domestic banks	-	-
Loans and advances to non-resident banks	-	-
Loans and advances to domestic customers	1,765,478	1,662,849
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	-	102,629
Financing from Islamic banking window	122,558	122,558
Allowances for the credit losses	(55,219)	(44,230)
Of which :		
Stage 3	(23,474)	(23,474)
Stage 1 & Stage 2	(31,745)	(20,756)
Fixed assets	**30,245**	**30,245**
Other assets	**48,507**	**48,507**
Total Assets	**2,328,818**	**2,339,807**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

RECONCILIATION	Financial Position as in published financial statements	Under regulatory scope of consolidation
	As at Dec-31-2018	As at Dec-31-2018
	RO '000	RO '000
Assets		
Cash and balances with CBO	**194,801**	194,801
Balance with banks and money at call and short notice	**91,272**	91,272
Investments :	**131,176**	**131,176**
Of which :		
Held to collect	122,262	122,262
FVOCI	4,883	4,883
FVPL	4,031	4,031
Held for Trading	-	-
Loans and advances	**1,832,817**	**1,843,806**
Of which :		
Loans and advances to domestic banks	-	-
Loans and advances to non-resident banks	-	-
Loans and advances to domestic customers	1,765,478	1,662,849
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	-	102,629
Financing from Islamic banking window	122,558	122,558
Allowances for the credit losses	(55,219)	(44,230)
Of which :		
Stage 3	(23,474)	(23,474)
Stage 1 & Stage 2	(31,745)	(20,756)
Fixed assets	**30,245**	**30,245**
Other assets	**48,507**	**48,507**
Total Assets	**2,328,818**	**2,339,807**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

Capital & Liabilities		
Paid-up Capital	**134,620**	**134,620**
Of which:		
Amount eligible for CET1	134,620	134,620
Amount eligible for AT1	-	-
Reserves & Surplus	**149,703**	**148,189**
Of which:		
Legal reserve	41,490	41,490
General reserve	25,560	25,560
Retained earnings	68,797	53,990
Proposed dividends		14,808
Cumulative changes in fair value of investments	(2,059)	(2,059)
Of which:		
Amount eligible for Tier 2 capital	(2,059)	(2,059)
Amount ineligible due to regulatory adjustment		
Subordinated debt reserve	12,000	12,000
Special reserve	3,915	2,400
Total Capital	**284,323**	**282,809**
Deposits	**1,870,558**	**1,870,558**
Of which:		
Deposits from banks	-	-
Customer deposits	1,748,414	1,748,414
Deposits of Islamic Banking window	122,144	122,144
Borrowings	**35,207**	**35,207**
Of which:		
From CBO	-	-
From banks	15,207	15,207
From other institutions & agencies	-	-
Borrowings in the form of bonds, Debentures and sukuks	20,000	20,000
Of which:		
Directly issued qualifying Tier 2 instruments	20,000	8,000
Amount de-recognised from Tier 2 capital	-	12,000
Other liabilities & provisions	**66,177**	**66,177**
Total Capital, Other liabilities & provisions	**2,256,265**	**2,254,751**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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

2018

	Common Equity Tier 1 capital: instruments and reserves	**Under regulatory scope of consolidation**
1	Directly issued qualifying common share capital	134,620
2	Retained earnings	53,990
3	Accumulated other comprehensive income (and other reserves)	79,391
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)**	**268,001**
7	**Additional Tier 1 capital (AT1)**	72,553
8	**Tier 1 capital (T1 = CET1 + AT1)**	**340,554**
	Tier 2 capital: instruments and provisions	
9	Directly issued qualifying Tier 2 instruments	8,000
#	Eligible expected credit loss	20,756
#	Amount of Cumulative changes in fair value of investments eligible for Tier 2 capital	-
#	**Tier 2 capital (T2)**	**28,756**
	Total capital (TC = T1 + T2)	**369,310**

2017

	Common Equity Tier 1 capital: instruments and reserves	**Under regulatory scope of consolidation**
1	Directly issued qualifying common share capital	134,620
2	Retained earnings	53,169
3	Accumulated other comprehensive income (and other reserves)	72,478
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)**	**260,267**
7	**Additional Tier 1 capital (AT1)**	30,000
8	**Tier 1 capital (T1 = CET1 + AT1)**	**290,267**
	Tier 2 capital: instruments and provisions	
9	Directly issued qualifying Tier 2 instruments	12,000
10	Provisions	20,756
11	Amount of Cumulative changes in fair value of investments eligible for Tier 2 capital	-
12	**Tier 2 capital (T2)**	**32,756**
	Total capital (TC = T1 + T2)	**323,023**

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Main features of Subordinated Loans	
Issuer	OMAN ARAB BANK
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-
Governing law(s) of the instrument *Regulatory treatment*	Oman Banking law
Transitional Basel III rules	Eligible for inclusion in Tier -2 Capital
Post-transitional Basel III rules	Eligible for inclusion in Tier -2 Capital
Eligible at solo/group/group & solo	Solo
Instrument type (types to be specified by each jurisdiction)	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	OMR 8 Million
Par value of instrument	OMR 20 Million
Accounting classification	Subordinated Debt
Original date of issuance	30/11/2015
Perpetual or dated	Dated
Original maturity date	30/05/2021
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
Coupon rate and any related index	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
Convertible or 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 (specify instrument type immediately senior to instrument)	Subordinate to depositors and general creditors
Non-compliant transitioned features	-

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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.

	Main features of Perpetual 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 recognised 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	Additional Tier 1
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-liability 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	-

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

On 17 October 2018, the Bank issued another series of unsecured perpetual Tier 1 bonds of RO 42.5 million (42,553,000 units of RO 1 each through private placement). The bonds carry a fixed coupon rate of 7.5% 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 are in pari-passu with earlier issue.

	Main features of Perpetual 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 recognised in regulatory capital (Currency in mil, as of most recent reporting date)	OMR 42.553 Million
9	Par value of instrument	OMR 42.553 Million
10	Accounting classification	Additional Tier 1
11	Original date of issuance	17/10/2018
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	7.5%
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-liability 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	-

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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

BASEL-III DISCLOSURE AS AT DECEMBER 31 2018

		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT RO '000
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	134,620
2	Retained earnings	53,990
3	Accumulated other comprehensive income (and other reserves)	81,450
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**	**270,060**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	(2,059)
8	Goodwill (net of related tax liability)	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(59)
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	

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

29	**Total regulatory adjustments to Common equity Tier 1**	**(2,118)**
29	**Common Equity Tier 1 capital (CET1)**	**267,942**
	Additional Tier 1 capital: instruments	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	72,553
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**	**72,553**
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)**	**72,553**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**340,495**
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.	8,000
50	Eligible expected credit loss	20,756
51	**Tier 2 capital before regulatory adjustments**	**28,756**
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

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)**	**28,756**
59	**Total capital (TC = T1 + T2)**	**369,251**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	2,232,620
60	**Total risk weighted assets (60a+60b+60c)**	**2,232,620**
60a	*Of which: Credit risk weighted assets*	2,058,470
60b	*Of which: Market risk weighted assets*	25,775
60c	*Of which: Operational risk weighted assets*	148,375
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.00%
62	Tier 1 (as a percentage of risk weighted assets)	15.25%
63	Total capital (as a percentage of risk weighted assets)	16.54%
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)	8.875%
65	*of which: capital conservation buffer requirement*	1.875%
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)	5.54%
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)	12.875%
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	Expected credit loss eligible for inclusion in Tier 2 in respect of exposures subject to standard approach (prior to application of cap)	20,756

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2018

77	Cap on inclusion of Expected credit loss in Tier 2 under standardised approach	1.25%
78	Expected credit loss 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 Expected credit loss 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)*	-