



**DISCLOSURES UNDER BASEL II - PILLAR III
AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

OMAN ARAB BANK SAOG

DISCLOSURES UNDER BASEL II - PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

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Agreed-Upon Procedures Report on Oman Arab Bank SAOG's Basel II – Pillar III & Basel III Disclosures

To the Board of Directors of Oman Arab Bank SAOG ("the Bank")

Purpose of this Agreed-Upon Procedures Report

We were engaged by the Board of Directors of Oman Arab Bank SAOG (the "Bank") to perform agreed upon procedures on the Bank's Basel II – Pillar III and Basel III related disclosures (the "Disclosures") as set out in the Central Bank of Oman's ("the CBO") Circular No. BM 1009 dated 13 September 2006, Circular No. BM 1114 dated 17 November 2013 and Circular No. 1149 dated 13 April 2017 amended with letter BSD/CB/FLC/2018/17 dated 26 November 2018 and letter BSD/CB/2020/05 dated 3 June 2020. Our report is solely for the purpose of assisting the Bank in complying with the CBO requirements and may not be suitable for any other purpose.

Responsibilities of the Bank

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of the Bank is responsible for accuracy and completeness of the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves us performing the procedures that have been agreed with the Bank, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.



Practitioners' Responsibilities (continued)

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon in our engagement letter with the Bank on Basel II and III – Pillar III Disclosures:

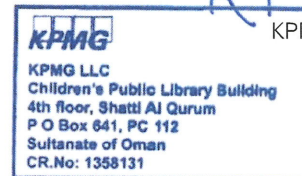
S. No	Procedures	Findings
1	We have performed the procedures prescribed in the CBO Circular No. BM 1027 dated 4 December 2007 with respect to the Disclosures of the Bank as at and for the year ended 31 December 2022.	No exceptions noted.

This report relates only to the items specified above and does not extend to the Bank's financial statements taken as a whole.

Enclosures:

Oman Arab Bank SAOG Basel II – Pillar III and Basel III related disclosures

6 March 2023





DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

1. PURPOSE AND BASIS OF PREPARATION

The following disclosures are presented in accordance with the revised capital adequacy rules under Basel II & Basel III framework issued by the Central Bank of Oman (CBO) for the implementation of the Basel II accord. Basel II Accord consists of three mutually reinforcing Pillars, Pillar I - Minimum Capital Requirements, Pillar II - Supervisory Review Process and Pillar III - Market Discipline. Pillar III complements Pillar I and II. The disclosures aim to provide market participants information on the bank's application of Basel framework, capital position, risk exposure, risk management processes and the capital adequacy.

2. SCOPE OF APPLICATION

Oman Arab Bank SAOG (the Parent Company) owns 100% of Al IZZ Islamic Bank (AIB) (the Subsidiary). The disclosures provide information on the Parent Company and the Consolidated position of both entities. The qualitative and quantitative disclosures have been prepared to meet the minimum disclosure requirements as per the CBO Basel II framework (BM 1009) and Basel III framework under CP2 guidelines issued by the CBO.

3. CAPITAL STRUCTURE

A. Tier 1 Capital

The Bank's authorized share capital is RO 200,000,000 and issued share capital comprises 1,669,410,000 fully paid shares of RO 0.100 each. In accordance with Article 132 of the Omani Commercial Companies Law of 2019, 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.

Additional Tier 1 Capital

- a. 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-III and Central Bank of Oman regulation. These bonds have been fully repaid on 29 January 2022 at the First Call date.
- b. 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. The First Call date of these bonds is on 17 October 2023.
- c. On 7 June 2021, the Bank issued unsecured perpetual Tier 1 bonds of USD 250 million (2,500,000 units of USD 100 each equivalent to RO 96.25 million through private placement). The bonds are listed in the International Securities Market (ISM) of London Stock Exchange and are transferable through trading. The bonds carry a fixed coupon rate of 7.625% 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-III and Central Bank of Oman regulation. The First Call date of these bonds is on 4 June 2026.

Exercising the call option for any of the perpetual bonds is subject to obtaining the required regulatory approval.



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

Tier 2 Capital

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

The eligible ECL is made for the loan impairment on the performing portion of the loans, advances and financing to customers against the losses incurred but not identified.

The Bank's capital structure is as follows:

	Consolidated	Parent Company
	2022	2022
	RO' 000	RO' 000
Paid up share capital	166,941	166,941
Share premium	36,565	36,565
Legal reserve	48,570	47,506
General reserve	25,560	25,560
Special reserve	-	-
Other disclosed reserves	(3,409)	(3,337)
Other intangibles	(3,739)	-
Retained earnings	71,355	62,719
Intangibles	(6,900)	-
Perpetual Bonds	138,803	138,803
Less allocated to Subsidiary	-	(107,144)
Less Investment in Capital instruments	(2,400)	(2,400)
Tier 1 Capital	471,346	365,213
Eligible ECL on loans, advances and financing to customers	30,760	27,310
Investment revaluation reserve (45% only)	112	102
Tier 2 Capital	30,872	27,412
Total Capital	502,218	392,625

4. CAPITAL ADEQUACY

A. 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.
- ii) Basic Indicator approach for the operational risk.



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

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 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, 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:

- Evaluate the level and trend of material risks and their effect on capital requirements,
- Evaluate the sensitivity and reasonableness of the main assumptions used in the capital measurement system,
- Determine that the Bank holds sufficient capital against various risks,
- Determine that the Bank meets its internal capital adequacy goals; and
- 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.

B. Quantitative Disclosures

Risk weighted Assets and details of Capital Adequacy as at end of 2022:

S No.	Details	Consolidated			Parent Company		
		Gross Balance RO'000	Net Balance RO'000	Risk Weighted Assets RO'000	Gross Balance RO'000	Net Balance RO'000	Risk Weighted Assets RO'000
1	On -Balance sheet Item	3,814,531	3,590,925	2,529,271	2,742,174	2,529,259	1,868,623
2	Off -Balance sheet Item	326,688	173,524	162,452	274,499	136,899	131,095
3	Derivatives	232,664	35,582	7,343	207,745	10,663	7,343
	Operations risk	28,566	28,566	215,348			168,625
	Trading book			41,826			13,263
4	Total	4,402,449	3,828,597	2,956,240	3,224,418	2,676,821	2,188,949
5	Tier 1 Capital			471,346			365,213
6	Tier 2 Capital			30,872			27,412
7	Tier 3 Capital						-
8	Total Regulatory Capital			502,218			392,625
8.1	Capital requirement for credit risk			330,636			245,865
8.2	Capital requirement for market risk			5,124			1,625
8.3	Capital requirement for operational risk			26,380			20,657
9	Total required capital			362,140			268,147
10	Tier 1 Ratio			15.94%			16.68%
11	Total Capital Ratio			16.99%			17.94%



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

5. BASEL III REGULATORY 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. Common Disclosure Template as at 31 December 2022

Table 1		Consolidated	Parent Company
		RO '000	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	166,941	166,941
2	Retained earnings	71,355	62,719
3	Accumulated other comprehensive income (and other reserves)	110,695	109,631
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-
	<i>Public sector capital injections grandfathered until 1 January 2018</i>	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	348,991	339,291
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	(3,409)	(3,337)
8	Intangibles (net of related tax liability)	(6,900)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(3,739)	-
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	-	-


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

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)	-	(107,144)
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-BaseI III Treatment	-	-
28	Perpetual Bonds	-	-
29	Total regulatory adjustments to Common equity Tier 1	(14,048)	(110,481)
29	Common Equity Tier 1 capital (CET1)	334,943	228,810
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	138,803	138,803
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	138,803	138,803
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)	(2,400)	(2,400)
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	(2,400)	(2,400)
44	Additional Tier 1 capital (AT1)	136,403	136,403
45	Tier 1 capital (T1 = CET1 + AT1)	471,346	365,213
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	112	102
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	-	-
50	Eligible expected credit loss	30,760	27,310


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

51	Tier 2 capital before regulatory adjustments	30,872	27,412
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	-	-
57	Total regulatory adjustments to Tier 2 capital	-	-
58	Tier 2 capital (T2)	30,872	27,412
59	Total capital (TC = T1 + T2)	502,218	392,625
Risk Weighted Assets			
	Risk weighted assets in respect of amounts subject to pre-Basel III treatment	2,956,240	2,188,949
60	Total risk weighted assets (60a+60b+60c)	2,956,240	2,188,949
60a	- of which: Credit risk weighted assets	2,696,816	2,004,811
60b	- of which: Market risk weighted assets	41,826	13,263
60c	- of which: Operational risk weighted assets	215,348	168,625
Capital Ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.33%	10.45%
62	Tier 1 (as a percentage of risk weighted assets)	15.94%	16.68%
63	Total capital (as a percentage of risk weighted assets)	16.99%	17.94%
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)	8.250%	8.250%
65	- of which: capital conservation buffer requirement	1.250%	1.250%
66	- of which: bank specific countercyclical buffer requirement	0%	0%
67	- of which: D-SIB/G-SIB buffer requirement	0%	0%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.33%	3.45%
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	7.00%	7.00%
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	9.00%	9.00%
71	National total capital minimum ratio (if different from Basel 3 minimum)	12.25%	12.25%
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)	30,760	27,310
77	Cap on inclusion of Expected credit loss in Tier 2 under standardised approach	1.25%	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	-	-



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

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)	-	-

B. Reconciliation between published financial statements and regulatory capital adequacy workings

A reconciliation of the Bank's Statement of Financial Position with the regulatory capital elements is provided below 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


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

Table 2. A	Consolidated		Parent Company	
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation
	As at 31 Dec 2022	As at 31 Dec 2022	As at 31 Dec 2022	As at 31 Dec 2022
Reconciliation	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	99,913	99,913	31,034	31,034
Due from banks	53,671	53,671	48,161	48,161
Loans and advances	3,067,063	3,067,063	2,164,984	2,164,984
Investment securities	331,656	331,656	268,426	268,426
Investment in subsidiary	-	-	107,144	107,144
Intangibles	6,900	6,900	-	-
Other assets	84,131	84,131	55,454	55,454
Property and equipment	38,496	38,496	35,659	35,659
Total assets	3,681,830	3,681,830	2,710,862	2,710,862
Due to banks	94,141	94,141	59,101	59,101
Customer deposits	2,992,180	2,992,180	2,089,284	2,089,284
Other liabilities	94,496	94,496	71,114	71,114
Taxation	3,412	3,412	3,412	3,412
Total liabilities	3,184,229	3,184,229	2,222,911	2,222,911
Paid-up share capital	166,941	166,941	166,941	166,941
Share Premium	36,565	36,565	36,565	36,565
Special Reserve	3,837	3,837	3,837	3,837
Legal reserve	48,570	48,570	47,506	47,506
General reserve	25,560	25,560	25,560	25,560
Retained earnings	71,355	71,355	62,719	62,719
Cumulative changes in fair value of investments	(3,160)	(3,160)	(3,110)	(3,110)
Impairment reserve	9,130	9,130	9,130	9,130
Total shareholders' equity	358,798	358,798	349,148	349,148
Perpetual Tier 1 Capital Bonds	138,803	138,803	138,803	138,803
Total liability and shareholders' funds	3,681,830	3,681,830	2,710,862	2,710,862


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

Table 2. B	Consolidated		Parent Company		Reference
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	
	As at 31 Dec 2022	As at 31 Dec 2022	As at 31 Dec 2022	As at 31 Dec 2022	
Assets Reconciliation	RO'000	RO'000	RO'000	RO'000	
Cash and balances with central bank	99,913	99,913	31,034	31,034	
Due from banks	53,671	53,671	48,161	48,161	
Loans and advances, of which:	3,067,063	3,067,063	2,164,984	2,164,984	
- To domestic banks	-	-	-	-	
- To non-resident banks	-	-	-	-	
- To domestic customers	2,210,629	2,210,629	2,210,629	2,210,629	
- To non-resident customers for domestic operations	-	-	-	-	
- To non-resident customers for operations abroad	-	-	-	-	
- Loans and advances to SMEs	92,166	92,166	92,166	92,166	
- Financing from Islamic banking	943,904	943,904	-	-	
- Allowances for the credit losses, of which:	(179,636)	(179,636)	(137,811)	(137,811)	
ECL allowance not qualifying for Tier 2	(179,636)	(148,876)	(137,811)	(110,501)	
ECL allowance eligible for Tier 2		(30,760)		(27,310)	A1
Investment securities, of which	331,656	331,656	268,426	268,426	
- Fair value through Profit & Loss	441	441	441	441	
- Fair value through other comprehensive income, of which:	104,491	104,491	59,356	59,356	
Investment with AT-1 capital adjustment	2,400	2,400	2,400	2,400	A2
Others	102,091	102,091	56,956	56,956	
- Held to collect	226,724	226,724	208,629	208,629	
Investment in subsidiary	-	-	107,144	107,144	A3
Intangibles	6,900	6,900	-	-	A4
Other assets, of which:	84,131	84,131	55,454	55,454	
- Deferred tax asset with CET1 Adjustments	2,047	2,047	-	-	A5
- Others	82,084	82,084	55,454	55,454	
Property and equipment, of which:	38,496	38,496	35,659	35,659	
- Property and equipment	36,804	36,804	35,659	35,659	
- Other intangibles with CET1 Adjustments	1,692	1,692	-	-	A6
Total assets	3,681,830	3,681,830	2,710,862	2,710,862	


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

Table 2. B	Consolidated		Parent Company		Reference
	Financial position as in the published financial statements	Under regulatory scope of consolidation	Financial position as in the published financial statements	Under regulatory scope of consolidation	
	As at 31 Dec 2022	As at 31 Dec 2022	As at 31 Dec 2022	As at 31 Dec 2022	
	RO'000	RO'000	RO'000	RO'000	
Capital and Liabilities Reconciliation	RO'000	RO'000	RO'000	RO'000	
Paid-up share capital, of which	166,941	166,941	166,941	166,941	
- Amount eligible for CET1 – Paid up capital	166,941	166,941	166,941	166,941	C1
- Amount eligible for AT1 – Perpetual bonds	138,803	136,403	138,803	136,403	C2
Reserves & Surplus, of which:	191,857	178,641	182,207	169,013	
- Share premium	36,565	36,565	36,565	36,565	C3
- Legal reserve	48,570	48,570	47,506	47,506	C4
- General reserve	25,560	25,560	25,560	25,560	C5
- Retained earnings	71,355	71,355	62,719	62,719	C6
- Proposed dividends	-	-	-	-	
- Cumulative changes in fair value of investments, of which	(3,160)	(3,160)	(3,110)	(3,110)	
Amount deductible from CET1 capital	-	(3,409)	-	(3,337)	C7
Amount eligible for Tier 2 capital	-	112	-	102	C8
Amount not eligible for Tier 2 capital	-	137	-	125	
- Impairment reserve, of which:	9,130	9,130	9,130	9,130	
Not eligible for Basel	-	9,130	-	9,130	
- Special reserve, of which	3,837	3,837	3,837	3,837	
Not eligible for Basel	-	3,837	-	3,837	
Total capital	497,601	481,985	487,951	472,357	
Deposits, of which:	2,992,180	2,992,180	2,089,284	2,089,284	
- Deposits from banks	-	-	-	-	
- Deposits from customers	2,089,284	2,089,284	2,089,284	2,089,284	
- Deposits of Islamic Banking window	902,896	902,896	-	-	
Borrowings, of which:	94,141	94,141	59,101	59,101	
- From CBO	-	-	-	-	
- From banks	94,141	94,141	59,101	59,101	
- From other institutions & agencies	-	-	-	-	
- Borrowings in the form of bonds, Debentures and sukuks	-	-	-	-	
Other liabilities	94,496	94,496	71,114	71,114	
Taxation	3,412	3,412	3,412	3,412	
Total capital and liabilities	3,681,830	3,666,214	2,710,862	2,695,268	


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**
Step 3:

				Under regulatory scope of consolidation		
				Consolidated	Parent Company	Source based on reference of the balance sheet under the regulatory scope of consolidation from step 2
				As at 31 Dec 2022	As at 31 Dec 2022	
				RO'000	RO'000	
Common Equity Tier 1 capital: instruments and reserves						
1	- Directly issued qualifying common share capital			166,941	166,941	C1
2	- Retained earnings			71,355	62,719	C6
3	- Accumulated other comprehensive income (and other reserves)			110,695	109,631	C3 + C4 + C5
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	- Total regulatory adjustments to Common equity Tier 1			(14,048)	(110,291)	C7 - A3 - A4 - A5 - A6
7	Common Equity Tier 1 capital (CET1)			334,943	228,810	
8	Additional Tier 1 capital (AT1)			136,403	136,403	C2 - A2
9	Tier 1 capital (T1 = CET1 + AT1)			471,346	365,213	
Tier 2 capital: instruments and provisions						
10	Directly issued qualifying Tier 2 instruments			-	-	
11	Eligible expected credit loss			30,760	27,310	A1
12	Cumulative changes in fair value of investments eligible for Tier 2 capital			112	102	C8
13	Tier 2 capital (T2)			30,872	27,412	
Total capital (TC = T1 + T2)				502,218	392,625	


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
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C. Main features template for capital instruments

1	Issuer	OMAN ARAB BANK	OMAN ARAB BANK	OMAN ARAB BANK
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	OM0000005260	OM0000006805	XS2346530244
3	Governing law(s) of the instrument Regulatory treatment	Oman Banking law	Oman Banking law	English law
4	Transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
5	Post-transitional Basel III rules	CET-1 Capital	Additional Tier -1 Capital	Additional Tier -1 Capital
6	Eligible at solo/group/group & solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Loan	Bonds	Bonds
8	Amount recognized in regulatory capital	OMR 166.9 Million	OMR 42.553 Million	USD 250 Million
9	Par value of instrument	OMR 166.9 Million	OMR 42.553 Million	USD 250 Million
10	Accounting classification	Shareholder's equity	Additional Tier 1	Additional Tier 1
11	Original date of issuance	Various	17/10/2018	27/05/2021
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	-	-	-
14	Issuer call subject to prior supervisory approval	-	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	-	First call date on 17 Oct 2023 at bank's sole discretion	First call date on 4 Jun 2026 at bank's sole discretion
16	Subsequent call dates, if applicable	-	Any interest reset date after the first call date	Any interest payment date after the first call date
Coupons / dividends				
17	Fixed or floating dividend/coupon	No coupon	Fixed coupon	Fixed coupon
18	Coupon rate and any related index	-	7.5%	7.625%
19	Existence of a dividend stopper	Yes	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	-	-
21	Existence of step up or other incentive to redeem	-	-	-
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion triggers	-	-	-
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	Yes	Yes
31	If write-down, write-down trigger(s)	Non-viability event	Non-viability event	Non-viability event
32	If write-down, full or partial	Full	full or partial	full or partial
33	If write-down, permanent or temporary	Permanent	Permanent	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)	Subordinated to all instruments and claims	Subordinate to depositors and general creditors	Subordinate to depositors and general creditors
36	Non-compliant transitioned features	-	-	-
37	If yes, specify non-compliant features	n/a	n/a	n/a



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

6. LEVERAGE RATIO

The Basel III framework introduced a non-risk-based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The regulatory minimum set by the CBO is 4.5%.

Table 1: Summary comparison of accounting assets vs leverage ratio exposure measure

(Please refer to paragraph 52 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

Item	Consolidated	Parent Company
1 Total consolidated assets as per published financial statements	3,681,830	2,710,862
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4 Adjustments for derivative financial instruments	178,921	178,921
5 Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-	-
6 Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	151,423	137,869
7 Other adjustments	(15,439)	(109,544)
8 Leverage ratio exposure	3,996,735	2,918,108

Table 2: Leverage ratio common disclosure template

(Please refer to paragraph 53 of Basel III leverage ratio framework and disclosure requirements of BCBS issued in January 2014)

Item	Consolidated	Parent Company
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,681,830	2,710,862
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(15,439)	(109,544)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	3,666,391	2,601,318
Derivative Exposures		
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	178,921	178,921
5 Add-on amounts for PFE associated with all derivatives transactions	-	-
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8 (Exempted CCP leg of client-cleared trade exposures)	-	-
9 Adjusted effective notional amount of written credit derivatives	-	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11 Total derivative exposures (sum of lines 4 to 10)	178,921	178,921
Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14 CCR exposure for SFT assets	-	-
15 Agent transaction exposures	-	-
16 Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other Off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	393,240	272,192
18 (Adjustments for conversion to credit equivalent amounts)	(241,817)	(134,323)
19 Off-balance sheet items (sum of lines 17 and 18)	151,423	137,869
Capital and total exposures		
20 Tier 1 capital	471,346	365,213
21 Total exposures (sum of lines 3, 11, 16 and 19)	3,996,735	2,918,108
Leverage Ratio		
22 Basel III leverage ratio (%)	11.8	12.5



7. CREDIT RISK EXPOSURE AND ASSESSMENT

A. 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 Review Department while the Retail Banking Department manages the credit risk with predefined programs. The Credit Risk Department reviews the credit risk independently and directly reports to the Compliance and Risk Management Committee of the Board of Directors. The risk management framework also includes policies with respect to problem recognition, early warning indicators, watch lists, classification parameters and risk rating.

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. Past dues and impaired exposures are defined in accordance with the relevant CBO regulations. Bank has adopted the International Financial Reporting Standards (IFRS) 9 guidelines for estimation of Expected Credit Loss as per International Accounting Standards Board (IASB) and CBO guidelines on International Financial Reporting Standards (IFRS) 9 on Financial Instruments, effective from 1st January 2018.

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 Through the Cycle (TTC) probability of default (PD) using 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, bad case, and good case), historical economic data 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 creditworthiness 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 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, Compliance 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.

i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking 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

The security requirement & coverage is assessed on a case to case basis for each exposure. 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.

ii) 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



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

annual reviews are performed by the relationship managers and are also reviewed by the Credit Review Department.

iii) 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 authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized 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 authorizations 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

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 assessments are estimates at a certain date, and are calculated using the banks internal default data.

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 amortization. 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, bad case and good case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario.


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**
B. Quantitative Disclosures

Table 1: Gross credit risk exposures

S No.	Type of credit exposure	Consolidated		Parent Company	
		Average Gross Exposure	Total Gross Exposure	Average Gross Exposure	Total Gross Exposure
		RO'000	RO'000	RO'000	RO'000
1	Overdrafts	136,638	118,757	129,217	112,928
2	Personal Loans	1,157,644	1,200,444	787,488	811,428
3	Loans against Trust Receipts	83,661	68,137	83,661	68,137
4	Other Loans	1,677,968	1,825,225	1,168,901	1,276,166
5	Bills Purchased Discounted	37,104	34,136	37,104	34,136
	Total	3,093,015	3,246,699	2,206,371	2,302,795

Table 2: Geographic distribution of exposures

S No.	Type of credit exposure	Consolidated						Total
		Oman	Other GCC countries	OECD countries	India	Pakistan	Others	
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	118,757	-	-	-	-	-	118,757
2	Personal Loans	1,200,444	-	-	-	-	-	1,200,444
3	Loans against Trust Receipts	68,137	-	-	-	-	-	68,137
4	Other Loans	1,825,225	-	-	-	-	-	1,825,225
5	Bills Purchased Discounted	34,136	-	-	-	-	-	34,136
	Total	3,246,699	-	-	-	-	-	3,246,699

S No.	Type of credit exposure	Parent Company						Total
		Oman	Other GCC countries	OECD countries	India	Pakistan	Others	
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Overdrafts	112,928	-	-	-	-	-	112,928
2	Personal Loans	811,428	-	-	-	-	-	811,428
3	Loans against Trust Receipts	68,137	-	-	-	-	-	68,137
4	Other Loans	1,276,166	-	-	-	-	-	1,276,166
5	Bills Purchased Discounted	34,136	-	-	-	-	-	34,136
	Total	2,302,795	-	-	-	-	-	2,302,795


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

Table 3: Industry or counterparty type distribution of exposures

S No	Economic Sector	Consolidated					Off-balance sheet exposure RO'000
		Overdraft RO'000	Loans RO'000	Bills		Total RO'000	
				Purchased/ discounted RO'000	Others RO'000		
1	Import Trade	6,567	83,665	292	6,847	97,371	13,609
2	Export Trade	31	33	-	-	64	112,457
3	Wholesale & Retail Trade	13,059	109,893	107	12,925	135,984	19,781
4	Mining & Quarrying	21,285	126,784	-	4,330	152,399	12,052
5	Construction	24,293	194,796	30,697	31,232	281,018	75,644
6	Manufacturing	23,336	204,601	1,520	37,010	266,467	15,942
7	Electricity, gas & water	202	104,513	-	2,347	107,062	3,269
8	Transport & communication	1,540	170,259	79	5,803	177,681	2,571
9	Financial Institutions	2,475	141,960	-	1,860	146,295	-
10	Services	12,936	291,338	550	40,539	345,363	51,052
11	Personal Loans	-	874,528	-	325,917	1,200,445	-
12	Agriculture & Allied Activities	641	21,128	19	1,133	22,921	-
13	Government	1	-	-	-	1	86,864
14	Non-Resident Lending	-	2,134	-	-	2,134	-
15	All Others	12,391	260,259	872	37,972	311,494	-
	Total	118,757	2,585,891	34,136	507,915	3,246,699	393,241

S No.	Economic Sector	Parent Company					Off-balance sheet exposure RO'000
		Overdraft RO'000	Loans RO'000	Bills		Total RO'000	
				Purchased/ discounted RO'000	Others RO'000		
1	Import Trade	5,728	72,378	292	-	78,398	13,609
2	Export Trade	31	33	-	-	64	112,457
3	Wholesale & Retail Trade	9,880	76,006	107	-	85,993	17,215
4	Mining & Quarrying	21,235	116,094	-	-	137,329	6,884
5	Construction	24,077	189,056	30,697	-	243,830	68,499
6	Manufacturing	23,336	171,599	1,520	-	196,455	14,674
7	Electricity, gas & water	202	103,466	-	-	103,668	1,393
8	Transport & communication	1,540	159,356	79	-	160,975	210
9	Financial Institutions	2,475	105,688	-	-	108,163	-
10	Services	12,176	146,789	550	-	159,515	23,329
11	Personal Loans	-	811,429	-	-	811,429	-
12	Agriculture & Allied Activities	641	5,894	19	-	6,554	-
13	Government	1	-	-	-	1	13,923
14	Non-Resident Lending	-	216	-	-	216	-
15	All Others	11,606	197,727	872	-	210,205	-
	Total	112,928	2,155,731	34,136	-	2,302,795	272,193


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
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Table 4: Residual contractual maturity of credit exposure

S No.	Economic Sector	Consolidated				Total	Off-balance sheet exposure
		Overdraft	Loans	Bills purchased / discounted	Others		
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Up to 1 month	9,134	151,854	30,599	15,192	206,779	14,861
2	1-3 months	9,153	94,948	2,149	18,013	124,263	77,340
3	3-6 months	9,258	131,614	275	33,947	175,094	8,368
4	6-9 months	9,196	52,507	75	24,545	86,323	76,955
5	9-12 months	9,094	90,400	1,038	9,105	109,637	62,998
6	1-3 years	23,126	336,190	-	81,898	441,214	27,995
7	3-5 years	23,088	309,286	-	76,059	408,433	14,980
8	Over 5 years	26,708	1,419,092	-	249,156	1,694,956	109,744
	Total	118,757	2,585,891	34,136	507,915	3,246,699	393,241

S No.	Economic Sector	Parent Company				Total	Off-balance sheet exposure
		Overdraft	Loans	Bills purchased / discounted	Others		
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Up to 1 month	9,034	139,469	30,599	-	179,102	4,322
2	1-3 months	9,034	80,264	2,149	-	91,447	65,760
3	3-6 months	9,034	103,940	275	-	113,249	830
4	6-9 months	9,034	32,498	75	-	41,607	234
5	9-12 months	9,034	82,977	1,038	-	93,049	58,230
6	1-3 years	22,586	269,424	-	-	292,010	22,000
7	3-5 years	22,586	247,281	-	-	269,867	11,302
8	Over 5 years	22,586	1,199,878	-	-	1,222,464	109,515
	Total	112,928	2,155,731	34,136	-	2,302,795	272,193

Table 5: Loans and provisions by major industry or counterparty type

S No.	Economic Sector	Consolidated				Stage 3 ECL Provided during the year [#]	Advances written off during the year
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*		
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	97,371	31,442	1,870	24,374	5,122	3
2	Export Trade	64	-	1	-	-	-
3	Wholesale & Retail Trade	135,984	15,318	1,447	9,360	3,625	6
4	Mining & Quarrying	152,399	842	14,034	421	282	-
5	Construction	281,018	53,307	15,561	34,427	11,577	92
6	Manufacturing	266,467	20,036	5,363	11,103	2,533	137
7	Electricity, gas & water	107,062	33	551	15	6	-
8	Transport & communication	177,681	765	768	560	134	4
9	Financial Institutions	148,213	2,756	1,100	2,531	85	-
10	Services	345,363	12,171	6,841	7,596	1,204	35
11	Personal Loans	1,200,445	17,639	5,777	9,320	4,023	3,830
12	Agriculture & Allied Activities	22,921	718	290	663	85	-
13	Government	1	-	-	-	-	-
14	Non-Resident Lending	216	-	10	17	-	-
15	All Others	311,494	10,754	15,696	8,607	4,895	2,493
	Total	3,246,699	165,781	69,309	108,994	33,571	6,600


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
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S No.	Economic Sector	Parent Company					Advances written off during the year
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2*	ECL held for Stage 3*	Stage 3 ECL Provided during the year [#]	
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Import Trade	78,398	24,499	1,690	20,526	4,723	3
2	Export Trade	64	-	1	0	-	-
3	Wholesale & Retail Trade	85,993	7,209	1,127	3,784	3,565	6
4	Mining & Quarrying	137,329	114	13,778	50	18	-
5	Construction	243,830	47,576	14,714	32,757	10,587	92
6	Manufacturing	196,455	13,711	2,873	6,442	2,243	137
7	Electricity, gas & water	103,668	33	537	15	6	-
8	Transport & communication	160,975	757	572	554	128	4
9	Financial Institutions	108,163	838	330	644	85	-
10	Services	159,515	5,293	4,320	3,074	1,022	35
11	Personal Loans	811,429	13,453	4,200	7,782	4,230	3,830
12	Agriculture & Allied Activities	6,554	718	213	663	85	-
13	Government	1	-	-	0	-	-
14	Non-Resident Lending	216	-	10	17	-	-
15	All Others	210,205	9,212	11,574	5,564	4,694	2,493
	Total	2,302,795	123,413	55,939	81,872	31,386	6,600

* ECL held includes management overlays and reserve interest.

Stage 3 ECL provided during the year does not include net recovery / release of RO 7.3 million.

Table 6: Geographic distribution of impaired loans

S No.	Country	Consolidated					Advances written off during the year
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2	ECL held for Stage 3	Stage 3 ECL Provided during the year ¹	
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	3,246,699	165,781	68,022	106,472	33,571	6,600
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
	Total	3,246,699	165,781	68,022	106,472	33,571	6,600

S No.	Country	Parent Company					Advances written off during the year
		Gross Loans	Of which Stage 3 loans	ECL held for Stage 1 and 2	ECL held for Stage 3	Stage 3 ECL Provided during the year ¹	
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1	Oman	2,302,795	123,413	55,939	81,872	31,386	6,600
2	Other GCC countries	-	-	-	-	-	-
3	OECD countries	-	-	-	-	-	-
4	India	-	-	-	-	-	-
5	Pakistan	-	-	-	-	-	-
6	Others	-	-	-	-	-	-
	Total	2,302,795	123,413	55,939	81,872	31,386	6,600


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Table 7: Movement in gross loans

		Consolidated			
		Stage 1	Stage 2	Stage 3	Total
		RO'000	RO'000	RO'000	RO'000
1	Opening Balance	2,181,974	574,457	138,026	2,894,457
2	Migration / changes (+/-)	(39,230)	23,746	15,484	-
3	New Loans	736,447	329,753	21,019	1,087,219
4	Repayment of Loans	(424,901)	(301,330)	(2,146)	(728,377)
5	Loans written off	-	-	6,600	6,600
6	Closing Balance	2,454,290	626,626	165,783	3,246,699
7	Expected credit loss held	9,768	59,305	110,563	179,636

		Parent Company			
		Stage 1	Stage 2	Stage 3	Total
		RO'000	RO'000	RO'000	RO'000
1	Opening Balance	1,470,735	487,812	106,527	2,065,074
2	Migration / changes (+/-)	(32,888)	23,147	9,741	-
3	New Loans	640,391	308,976	15,891	965,258
4	Repayment of Loans	(424,901)	(293,890)	(2,146)	(720,937)
5	Loans written off	-	-	6,600	6,600
6	Closing Balance	1,653,337	526,045	123,413	2,302,795
7	Expected credit loss held	6,324	49,615	81,872	137,811

8. DISCLOSURE FOR PORTFOLIO SUBJECT TO STANDARDISED APPROACH

A. 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 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 Moody's Investor Service, the Bank uses the ratings, if any, from other rating agencies 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/d 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 and short term retail loans, which meet the conditions of CBO, for which risk weight assigned is 35% and 75% respectively.

**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
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B. Quantitative Disclosure

Table 1: Net exposure after risk mitigation subject to Standardized Approach

S No.	Risk Bucket	Consolidated							Total
		RO'000 0%	RO'000 20%	RO'000 35%	RO'000 50%	RO'000 75%	RO'000 100%	RO'000 150%	
1	Sovereigns (Rated)	515,618	-	-	-	-	-	-	515,618
2	Banks (Rated)	-	11,808	-	41,982	-	16,497	-	70,287
3	Corporate	-	-	-	-	71,061	1,225,740	-	1,296,801
4	Retail	-	-	-	-	20,879	463,110	-	483,989
5	Secured by residential property	-	-	618,494	-	-	64,558	-	683,052
6	Secured by commercial property	-	-	-	-	-	328,851	-	328,851
7	Past due loans	-	-	-	-	-	55,565	-	55,565
8	Other assets	90,590	-	-	-	-	152,508	-	243,098
9	Un-drawn exposure	-	2,990	8,105	13,470	-	73,287	-	97,852
	Total	606,208	14,798	626,599	55,452	91,940	2,380,116	-	3,775,113

S No.	Risk Bucket	Parent Company							Total
		RO'000 0%	RO'000 20%	RO'000 35%	RO'000 50%	RO'000 75%	RO'000 100%	RO'000 150%	
1	Sovereigns (Rated)	388,697	-	-	-	-	-	-	388,697
2	Banks (Rated)	-	10,087	-	38,106	-	16,407	-	64,600
3	Corporate	-	-	-	-	71,061	770,951	-	842,012
4	Retail	-	-	-	-	20,879	404,666	-	425,545
5	Secured by residential property	-	-	307,873	-	-	64,558	-	372,431
6	Secured by commercial property	-	-	-	-	-	328,851	-	328,851
7	Past due loans	-	-	-	-	-	40,494	-	40,494
8	Other assets	21,711	-	-	-	-	131,254	-	152,965
9	Un-drawn exposure	-	2,990	-	13,470	-	44,767	-	61,227
	Total	410,408	13,077	307,873	51,576	91,940	1,801,948	-	2,676,822

9. CREDIT RISK MITIGATION UNDER STANDARDISED APPROACH
A. Qualitative Disclosures

The following provides some of the specific credit risk mitigation measures employed by the Bank:

i) 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;

The housing loans are secured by mortgage over the residential property. Credit cards and similar revolving credit facilities are unsecured. Additionally, in order to minimize 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.



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

ii) 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 Credit Review Department.

iii) 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.

B. Quantitative Disclosures

	Consolidated			Parent Company		
	Loans against shares	Loans with cash margin	Total	Loans against shares	Loans with cash margin	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Exposure covered by eligible financial collateral	66,596	31,569	98,165	66,596	20,878	87,474
Value of the eligible collateral	66,596	43,114	109,710	66,596	32,341	98,937

10.MARKET RISK IN TRADING BOOK

A. 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 exists between the front and back-office functions while compliance with the net



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

open position is independently monitored on an ongoing basis by the management and the Assets and Liabilities Committee (ALCO).

Equity Position risk occurs due to change in the market value of the Bank's portfolio as a result of diminution in the market value of the equity securities. The responsibility of management of equity position risk rests with the Treasury Division of the Bank. The Bank does not hold trading position in equities. The Bank's portfolio is marked to market on regular basis and the difference in the book value and market value are adjusted against revaluation reserve. The Bank also conducts regular stress test on equity position risk and assesses its impact on profitability and capital adequacy.

Commodity Risk occurs due to volatility in the prices of the commodities. Presently the Bank has no exposure to the commodity market.

Capital charge for the entire market risk exposure is computed as per the standardized approach in accordance with the guidelines issued by CBO in its circular BM 1009. The Bank adopts duration method in measuring interest rate risk in respect of debt securities held in trading book. The Bank does not hold any trading position in equities and in commodities necessitating capital charge to cover the market risk. Foreign exchange risk capital charge is computed on the three-month average of the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.

B. Quantitative Disclosures

Bank's investments include equity securities which are publicly traded on the Muscat Securities Market (MSM). The Bank's equity and total comprehensive income at 31 December 2022 may decrease by 0.04% Consolidated and 0.03% Parent (2021 Consolidated – 0.03%, Parent – 0.03%) due to decrease by 10% in the MSM - 30 Index and the GCC market indices, with all the other variables held constant. The subsidiary has no investment in equity securities publicly traded on MSM.

11. INTEREST RATE RISK IN BANKING BOOK

A. 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 monthly 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 year.



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

B. Quantitative Disclosures

The EAR as at 31 December 2022 is 2.5% (2021 – 2.9%).

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.

Consolidated	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non interest bearing	Total
2022	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.00	24,356	-	-	-	1,025	74,532	99,913
Due from banks	1.76	32,362	10,000	-	-	-	11,309	53,671
Loans and advances	5.18	1,337,212	477,750	322,247	774,943	154,911	-	3,067,063
Investment securities	5.20	189	-	15,469	162,806	151,297	1,895	331,656
Intangible assets		-	-	-	-	-	6,900	6,900
Other assets		23,313	-	-	-	-	60,818	84,131
Property and equipment		-	-	-	-	-	38,496	38,496
Total assets		1,417,432	487,750	337,716	937,749	307,233	193,950	3,681,830
Due to banks	1.79	88,382	-	-	-	-	5,759	94,141
Customer deposits	2.76	1,183,871	168,044	603,602	486,662	-	550,001	2,992,180
Other liabilities		3,032	-	-	-	-	91,464	94,496
Taxation		-	-	-	-	-	3,412	3,412
Total liabilities		1,275,285	168,044	603,602	486,662	-	650,636	3,184,229
Total interest sensitivity gap		142,147	319,706	(265,886)	451,087	307,233	(456,686)	497,601
Cumulative interest sensitivity gap		142,147	461,853	195,967	647,054	954,287	497,601	

Parent Company	Average effective interest rate	Within 3 months	4 to 6 months	7 to 12 months	> 1 to 5 years	Over 5 years	Non interest bearing	Total
2022	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	1.00	1,621	-	-	-	500	28,913	31,034
Due from banks	1.78	26,852	10,000	-	-	-	11,309	48,161
Loans and advances	5.19	1,096,753	194,900	129,241	708,880	35,210	-	2,164,984
Investment securities	5.27	-	-	15,469	103,102	148,448	1,407	268,426
Investment in subsidiary		-	-	-	-	-	107,144	107,144
Other assets		23,312	-	-	-	-	32,142	55,454
Property and equipment		-	-	-	-	-	35,659	35,659
Total assets		1,148,538	204,900	144,710	811,982	184,158	216,574	2,710,862
Due to banks	1.91	53,342	-	-	-	-	5,759	59,101
Customer deposits	2.51	889,168	130,803	303,213	263,403	-	502,697	2,089,284
Other liabilities		3,032	-	-	-	-	68,082	71,114
Taxation		-	-	-	-	-	3,412	3,412
Total liabilities		945,542	130,803	303,213	263,403	-	579,950	2,222,911
Total interest sensitivity gap		202,996	74,097	(158,503)	548,579	184,158	(363,376)	487,951
Cumulative interest sensitivity gap		202,996	277,093	118,590	667,169	851,327	487,951	



12. OPERATIONAL RISK

A. Qualitative Disclosures

Basel Committee on Banking Supervision has defined operational risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, punitive damages resulting from supervisory actions, as well as private settlements.

Basel II has provided three different approaches viz., Basic Indicator approach (BIA), The standardized approach (TSA) and Advanced measurement approach to compute the capital charge of Operational Risk. The Bank has adopted the BIA for computing the capital charge for Operational Risk as per CBO guidelines. The approach requires the Bank to provide 15% of the average gross income for the last three years as capital charge for operational risk.

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

Bank undertakes Risk Control and Self-Assessment exercise by which the inherent risk in various processes of each business unit is identified and control against these risks are assessed for their design and effectiveness. The residual risk (i.e., inherent risk after controls) provides the potential loss amount and based on residual risk, the controls are improved further.

Bank is also identifying and monitoring the Key Risk Indicators (KRIs) for each business unit. Each KRI has a defined threshold limit, and an escalation criterion is also attached to it. A breach in threshold of the KRI escalates the risk to the higher authority. All the Operational Risk Management tools are configured in Operational Risk Management System.

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.

B. Quantitative Disclosures

The Risk Weighted Assets for the operational risk using the Basic Indicator Approach is RO 215 Million at 31 December 2022 (Parent Company: 2022 RO 169 million).

13. LIQUIDITY RISK

A. 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



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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.

B. Quantitative Disclosures

The Bank manages the liquidity risk based on estimated maturities using the guidelines provided by the CBO for the estimates. The table below represents the 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.

	Consolidated				
	< 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	72,874	8,293	12,174	6,572	99,913
Due from banks	33,703	19,968	-	-	53,671
Loans and advances	295,643	416,541	849,716	1,505,163	3,067,063
Investment securities	441	19,659	153,692	157,864	331,656
Investment in subsidiary	-	-	-	-	-
Intangibles	-	-	-	6,900	6,900
Other assets	46,521	27,734	9,876	-	84,131
Property and equipment	-	-	-	38,496	38,496
Total assets	449,182	492,195	1,025,458	1,714,995	3,681,830
Due to banks	94,141	-	-	-	94,141
Customer deposits	259,865	886,744	1,020,593	824,978	2,992,180
Other liabilities	43,596	17,584	33,309	7	94,496
Taxation	3,412	-	-	-	3,412
Total liabilities	401,014	904,328	1,053,902	824,985	3,184,229
Liquidity gap	48,168	(412,133)	(28,444)	890,010	497,601

	Parent Company				
	< 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	30,353	59	60	562	31,034
Due from banks	28,193	19,968	-	-	48,161
Loans and advances	270,548	225,675	561,878	1,106,883	2,164,984
Investment securities	441	19,470	93,987	154,528	268,426
Investment in subsidiary	-	-	-	107,144	107,144
Intangibles	-	-	-	-	-
Other assets	39,894	7,875	7,685	-	55,454
Property and equipment	-	-	-	35,659	35,659
Total assets	369,429	273,047	663,610	1,404,776	2,710,862
Due to banks	59,101	-	-	-	59,101
Customer deposits	223,898	610,435	614,081	640,870	2,089,284
Other liabilities	43,596	17,584	9,927	7	71,114
Taxation	3,412	-	-	-	3,412
Total liabilities	330,007	628,019	624,008	640,877	2,222,911
Liquidity gap	39,422	(354,972)	39,602	763,899	487,951

13.1. BASEL III RATIOS


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Liquidity Coverage Ratio (LCR): The LCR measures the stock of High-Quality Liquid Assets (HQLA) against net short-term obligations (30 days).

Net Stable Funding Ratio (NSFR): NSFR ensures that the Bank diversify its funding sources and reduce their dependency on short-term wholesale markets. The ratio compares the stock of Stable Funding against Required Funding.

The summary of the Basel III liquidity ratios is as follows:

	Consolidated	Parent Company	Regulatory Minimum
	As at 31 December 2022	As at 31 December 2022	
LCR	127%	130%	100%
NSFR	111%	112%	100%

The detailed LCR disclosures are provided below:

	Consolidated	
	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		384,188
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	936,797	66,664
3 - Stable deposits	177,841	5,848
4 - Less stable deposits	758,956	60,816
5 Unsecured wholesale funding, of which:	934,057	349,928
6 - Operational deposits (all counterparties) and deposits in networks of cooperative banks	622,424	197,380
7 - Non-operational deposits (all counterparties)	301,436	142,351
8 - Unsecured debt	10,197	10,197
9 - Secured wholesale funding	-	-
10 Additional requirements, of which	16,974	1,697
11 - Outflows related to derivative exposures and other collateral requirements	-	-
12 - Outflows related to loss of funding on debt products	-	-
13 - Credit and liquidity facilities	16,974	1,697
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	281,348	17,828
16 TOTAL CASH OUTFLOWS		436,118
Cash Inflows		
17 Secured lending (e.g., reverse repos)	-	-
18 Inflows from fully performing exposures	188,986	110,050
19 Other cash inflows	170,011	24,102
20 TOTAL CASH INFLOWS	358,997	134,152
		Total Adjusted Value
21 TOTAL HQLA		384,188
22 TOTAL NET CASH OUTFLOWS		301,966
23 LIQUIDITY COVERAGE RATIO (%)		127

Parent Company


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets		
1 Total High Quality Liquid Assets (HQLA)		275,941
Cash Outflows		
2 Retail deposits and deposits from small business customers, of which:	576,889	45,753
3 - Stable deposits	177,841	5,848
4 - Less stable deposits	399,048	39,905
5 Unsecured wholesale funding, of which:	654,066	233,262
6 - Operational deposits (all counterparties) and deposits in networks of cooperative banks	616,771	195,966
7 - Non-operational deposits (all counterparties)	37,296	37,296
8 - Unsecured debt		
9 - Secured wholesale funding		-
10 Additional requirements, of which	1,899	190
11 - Outflows related to derivative exposures and other collateral requirements		
12 - Outflows related to loss of funding on debt products		
13 - Credit and liquidity facilities	1899	190
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	281,348	14,067
16 TOTAL CASH OUTFLOWS		293,272
Cash Inflows		
17 Secured lending (e.g., reverse repos)		
18 Inflows from fully performing exposures	113,653	56,826
19 Other cash inflows	167,630	24,102
20 TOTAL CASH INFLOWS	281,283	80,928
		Total Adjusted Value
21 TOTAL HQLA		275,941
22 TOTAL NET CASH OUTFLOWS		212,344
23 LIQUIDITY COVERAGE RATIO (%)		130


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

The detailed NSFR disclosures are provided below:

		Consolidated				
		Unweighted value by residual maturity				
	ASF Item	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
1	Capital:	502,218	-	-	-	502,218
2	Regulatory capital	502,218	-	-	-	502,218
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	208,585	29,347	20,712	770,586	945,621
5	Stable deposits					
6	Less stable deposits	-	-	-	181,439	172,367
7	Wholesale funding:	208,585	29,347	20,712	589,147	773,254
8	Operational deposits	581,986	494,220	295,513	120,840	806,700
9	Other wholesale funding	3,430	342,194	-	-	172,812
10	Liabilities with matching interdependent assets	578,556	152,025	295,513	120,840	633,887
11	Other liabilities:					
12	NSFR derivative liabilities					
13	All other liabilities and equity not included above	-	-	-	593,884	483,264
14	Total ASF					2,737,803
	RSF Item	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
15	Total NSFR high-quality liquid assets (HQLA)					
16	Deposits held at other financial institutions for operational purposes	68,879	-	-	-	5,654
17	Performing loans and securities:	25,266	385,089	260,895	2,442,541	2,174,101
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	61,921	3,096
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions	-	60,517	11,877	-	15,016
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	25,266	324,572	249,017	1,555,675	1,619,774
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	65,000	42,250
22	Performing residential mortgages, of which:	-	-	-	759,945	493,964
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	759,945	493,964
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
25	Assets with matching interdependent liabilities					
26	Other Assets:	121,754	9,078	123,669	-	265,700
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	121,754	9,078	123,669	-	265,700
32	Off-balance sheet items		0	0	159,683	21,704
33	Total RSF					2,467,160
34	Net Stable Funding Ratio (%)					111


**DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2022**

		Parent Company				
		Unweighted value by residual maturity				Weighted Value
ASF Item		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
1	Capital:	499,769	-	-	-	499,769
2	Regulatory capital	499,769	-	-	-	499,769
3	Other capital instruments					
4	Retail deposits and deposits from small business customers	-	-	-	668,166	610,422
5	Stable deposits				181,439	172,367
6	Less stable deposits				486,727	438,055
7	Wholesale funding:	226,174	460,787	262,081	-	474,521
8	Operational deposits	-	342,194			171,097
9	Other wholesale funding	226,174	118,593	262,081		303,424
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	NSFR derivative liabilities					
13	All other liabilities and equity not included above				593,884	483,264
14	Total ASF					2,067,976
RSF Item		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted Value
15	Total NSFR high-quality liquid assets (HQLA)					-
16	Deposits held at other financial institutions for operational purposes					5,654
17	Performing loans and securities:	22,752	379,439	129,644	1,658,151	1,564,000
18	Performing loans to financial institutions secured by Level 1 HQLA					
19	Performing loans to financial institutions secured by non- Level 1 HQLA and unsecured performing loans to financial institutions		60,517	11,877	-	15,016
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which	22,752	318,922	117,767	1,207,323	1,255,945
21	-With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk					
22	Performing residential mortgages, of which:				450,828	293,038
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				450,828	293,038
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities					
25	Assets with matching interdependent liabilities					
26	Other Assets:	228,898	9,078		-	255,114
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets					
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	228,898	9,078	5,939		255,114
32	Off-balance sheet items					13,720
33	Total RSF					1,838,489
34	Net Stable Funding Ratio (%)					112



DISCLOSURES UNDER BASEL II – PILLAR III AND BASEL III RELATED DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2022

Basel III capital and liquidity disclosures are prepared in accordance with CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013, CBO circular dated March 20, 2018 and BM 1127 'Basel III – Framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standard' issued on 24 December 2014, respectively. The NSFR disclosure has been prepared in accordance to CBO Circular reference BM 1147 dated 26 October 2016. The Bank's disclosure on leverage was prepared as per CBO circular on leverage ratio, issued on 27 August 2017 and CBO circular No. BM 1157 on Implementation of Basel III Leverage Ratio Standard dated 30 December 2018.

A handwritten signature in black ink, appearing to read 'Sulaiman Hamad Al-Harhi', is positioned above the printed name.

Sulaiman Hamad Al-Harhi
Chief Executive Officer