

BASEL III CAPITAL DISCLOSURE REPORT

For the nine months period ended 30 September 2014



AHLI BANK SAOG

1. BASEL III CAPITAL DISCLOSURE

The below capital disclosures are prepared in accordance with the requirements of the CBO Circular BM 1114 'Regulatory Capital and Composition of Capital Disclosure Requirements under Basel III' issued on 17 November 2013.

1.1 THE 3 STEP APPROACH TO RECONCILIATION

Below disclosures are prepared using three step reconciliation approach as defined in the CP2-Guidelines on composition of capital disclosure requirements issued along with the CBO Circular BM 1114. In step 1, the accounting consolidation is identical to regulatory consolidation therefore the capital reconciliation is started from step 2 onwards.

Step 2: Expansion of Balance Sheet under Regulatory Scope of Consolidation

Table 2b – Expansion of Balance Sheet Under Regulatory Scope of Consolidation (RO '000)			
Nine months period ended 30 September 2014	Third Quarter financial statements	Under Regulatory scope of consolidation	Reference
Assets			
Cash and balances with CBO	75,097	75,097	
Balance with banks and money at call & short notice	49,024	49,024	
Investments, of which:	107,151	107,151	
Available for Sale	78,532	78,532	
Held for Trading	28,619	28,619	
Loans and advances – Net, of which:	1,333,704	1,333,704	
- Loans and advances to domestic banks	-	11,246	
- Loans and advances to non-resident banks	-	743	
- Loans and advances to domestic customers	-	1,156,548	
- Loans and advances to non-resident for operations abroad	-	7,049	
- Loans and advances to SMEs	-	35,764	
- Financing from Islamic banking window	-	140,896	
- Provision against Loans and Advances, of which:	-	(18,542)	
- Specific provision and Reserve interest & profit	-	(8,090)	
- General provision, amount eligible for T2	-	(10,452)	a
Fixed assets	17,190	17,190	
Other assets	10,679	10,679	
Deferred tax assets	104	104	b
Total Assets	<u>1,592,949</u>	<u>1,592,949</u>	
Capital & Liabilities			
Paid-up Capital, of which:	129,549	129,549	
- Amount eligible for CET1	-	129,549	c
Reserves & Surplus; of which	64,184	64,184	
- Amount eligible for CET1 (Legal reserve)	14,743	14,743	d
- Amount eligible for CET1 (Subordinated debt reserve)	28,569	28,569	e
- Amount eligible for CET1 (Retained earnings)	14,087	14,087	f
- Amount eligible for T2 (General loan loss reserve)	6,543	6,543	g
- Amount eligible for T2 (Investments Fair value gains)	242	283	h
- AFS investments fair value loss (CET1 adjustment)	-	(453)	i
- AFS investments fair value gain unutilized	-	412	
Total Capital	<u>193,733</u>	<u>193,733</u>	
Deposits from banks	244,104	244,104	
Customer deposits, of which	1,039,559	1,039,559	
- Deposits for customers	-	999,133	
- Deposits of Islamic Banking window	-	40,426	
Borrowings, of which:	38,500	38,500	
From banks	38,500	38,500	
Borrowings in form of bonds, Debentures & sukuks, of which	45,000	45,000	
- Amount eligible for T2	-	16,431	j
- Amount ineligible for T2	-	28,569	
Other liabilities & provisions	32,053	39,315	
TOTAL	<u>1,592,949</u>	<u>1,592,949</u>	

Step 3: Step Reconciliation of Regulatory Capital:

Common Equity Tier 1 capital: instruments and reserves		(RO' 000)	
	Component of regulatory capital reported by Bank		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	129,549	c
2	Retained earnings	14,087	f
3	Accumulated other comprehensive income (and other reserves)	<u>43,312</u>	d+e
4	Common Equity Tier 1 capital before regulatory adjustments	<u>186,948</u>	
5	Prudential valuation adjustments	(453)	i
6	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	<u>(104)</u>	b
7	Total regulatory adjustments to Common equity Tier 1	<u>(557)</u>	
8	Common Equity Tier 1 capital (CET1)	<u>186,391</u>	
Additional Tier 1 capital: instruments			
9	Additional Tier 1 capital (AT1)	<u>-</u>	-
	Tier 1 capital (T1 = CET1 + AT1)	<u>186,391</u>	
Tier 2 capital: instruments and provisions			
9	Directly issued qualifying Tier 2 instruments plus related stock surplus	16,431	j
10	Provisions	16,995	a+g
11	Fair value reserve of AFS investments	<u>283</u>	h
	Tier 2 capital before regulatory adjustments	<u>33,709</u>	
	Tier 2 capital: regulatory adjustments	<u>-</u>	
	Tier 2 capital (T2)	<u>33,709</u>	
	Total capital (TC = T1 + T2)	<u>220,100</u>	

1.2 MAIN FEATURES OF REGULATORY CAPITAL

Table below discloses the key features of all the regulatory capital issued by the Bank;

AHLI BANK SAOG

1	Ahli Bank SAOG	Common Equity Share Capital	Subordinated Bonds	Subordinated debt	Subordinated debt
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA	NA	NA
3	Governing law(s) of the instrument Regulatory treatment	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations	The laws of Oman in the form of Royal Decrees, Ministerial Decisions and CMA and CBO Regulations
4	Transitional Basel III rules	Common Equity Tier 1	Tier II	Tier II	Tier II
5	Post-transitional Basel III rules	Common Equity Tier 1	Ineligible	Ineligible	Eligible
6	Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Share Capital	Private Placement of Subordinated Bonds	Private Placement of Subordinated debt	Private Placement of Subordinated debt
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	129.549 million	RO 8.453 million	RO 3.071 million	RO 4.907 million
9	Par value of instrument	129.549 million	RO 35.000 million	RO 5.000 million	RO 5.000 million
10	Accounting classification	Shareholders' Equity	Liability amortised cost	Liability amortised cost	Liability amortised cost
11	Original date of issuance	Bank started operations in 1997	16-Dec-10	26-Oct-10	28-Aug-14
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity date	No maturity	15-Dec-17	26-Oct-17	29-Aug-19
14	Issuer call subject to prior supervisory approval	No	Yes	No	No
15	Optional call date, contingent call dates and redemption amount	NA	16-Dec-15	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	5.50%	5.75%	4.00%
19	Existence of a dividend stopper	NA	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	Yes	No	No	Yes
31	If write-down, write-down trigger(s)	Statutory approach	Contractual approach	Contractual approach	Contractual approach
32	If write-down, full or partial	Write down fully	May be written down partially	May be written down partially	May be written down partially
33	If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	Common Equity Share Capital	Common Equity Share Capital	Common Equity Share Capital
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	NA	NA	NA	NA

1.3 DISCLOSURE TEMPLATE DURING THE TRANSITION PHASE

Table below is prepared using the disclosure template to be used during transition of regulatory adjustments;

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 31 December 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	129,549
2	Retained earnings	14,087
3	Accumulated other comprehensive income (and other reserves)	43,312
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	-
	<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	186,948
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	(453)
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(104)
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	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE BASEL III TREATMENT	
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	Of which: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to Common equity Tier 1	(557)
29	Common Equity Tier 1 capital (CET1)	186,391
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards ⁵	-
32	of which: classified as liabilities under applicable accounting standards ⁶	-
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
36	Additional Tier 1 capital before regulatory adjustments	-

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 31 December 2018)		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
		(RO'000)
Additional Tier 1 capital before 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	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1)	186,391
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	4,907
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	*11,524
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-
50	Provisions (<i>General Provision + Fair Value Reserve</i>)	17,278
51	Tier 2 capital before regulatory adjustments	33,709
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments	-
54	Investments in the capital of banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-
55	Significant investments in the capital banking, financial, insurance and takaful entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
	REGULATORY ADJUSTMENTS APPLIED TO TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	-
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	33,709
59	Total capital (TC = T1 + T2)	220,100
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	1,542,272
	OF WHICH: [INSERT NAME OF ADJUSTMENT]	
	OF WHICH: ...	
60	Total risk weighted assets (60a+60b+60c)	1,542,272
60a	<i>Of which: Credit risk weighted assets</i>	1,378,267
60b	<i>Of which: Market risk weighted assets</i>	85,701
60c	<i>Of which: Operational risk weighted assets</i>	78,304

* Subordinated Bonds of RO 35 million, issued in 2010; recognized in T2 RO 8.453 million; 100% phase out by end of 2015
Subordinated debt of RO 5 million, issued in 2010; recognized in T2 RO 3.071 million; 100% phase out by end of 2017

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from 1 January 2013 to 31 December 2018)		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
		(RO'000)
Capital Ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.09%
62	Tier 1 (as a percentage of risk weighted assets)	12.09%
63	Total capital (as a percentage of risk weighted assets)	14.27%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement expressed as a percentage of risk weighted assets)	7.625%
65	<i>of which: capital conservation buffer requirement</i>	0.625%
66	<i>of which: bank specific countercyclical buffer requirement</i>	-
67	<i>of which: D-SIB/G-SIB buffer requirement</i>	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	1.65%
National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	-
70	National Tier 1 minimum ratio (if different from Basel 3 minimum)	-
71	National total capital minimum ratio (if different from Basel 3 minimum)	12.625%
Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	5,630
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)	104
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	16,995
77	Cap on inclusion of provisions in Tier 2 under standardised approach	17,228
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

The financial statements and other related disclosures are also available on the ahlibank's website, to view it on the website refer the link <http://ahlibank.om/investor-relations/financial-reports/>.

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