

# HSBC Bank Oman S.A.O.G.

**Interim Condensed Financial Information**

**31 March 2021**

**Interim Condensed Financial Information – 31 March 2021**

<b>Contents</b>	<b>Page</b>
Board of Directors' report	3-4
Summary of unaudited results	5
Review report of the independent auditors	6
Unaudited interim condensed statement of comprehensive income	7
Unaudited interim condensed statement of financial position	8
Unaudited interim condensed statement of changes in equity	9
Unaudited interim condensed statement of cash flows	10
Notes to the unaudited interim condensed financial information	11-36

**Presentation of information**

This document comprises the Interim Condensed Financial Information – 31 March 2021 for HSBC Bank Oman S.A.O.G. ('HBON') ('the Bank'). It contains Unaudited Interim Condensed Financial Information, together with the Board of Directors' Report, the Auditor's review report and the Summary of Unaudited Results.

## **Board of Directors' Report for the three months ended 31 March 2021**

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Bank's first Quarter financial results for 2021.

### **Performance Summary**

Our first Quarter performance shows a net profit of RO4.3 M compared with a net loss of RO4.5 M for the same period in 2020. This has been driven primarily by a reduction in the Expected Credit Losses ('ECL') and other credit impairment charges which reflects an improvement in the macro-economic environment as a result of the increase in the oil price. We will continue to monitor how the situation evolves throughout the remainder of 2021, with a risk that regional markets may witness a weaker market sentiment as new waves of coronavirus infections across the globe threaten to derail the fragile economic recovery.

Net interest income was down 12.8% to RO12.3 M for the period ended 31 March 2021 compared with RO14.1 M for the same period in 2020. Interest income was impacted negatively by the low interest rate environment partly offset by lower interest expense driven by lower customer deposits. Net fee income stood at RO2.5 M for the period ended 31 March 2021 compared with RO2.6 M for the same period in 2020 due to lower credit cards fees as spending was reduced.

Net trading income was down 34.6% to RO1.7 M compared with RO2.6 M for the same period last year, owing largely to lower interest rates and swap volumes.

A net release of RO2.2 M has been reported to the Bank's ECL and other credit impairment charges compared with a net charge of RO11.3 M for the same period last year. The Bank released RO2.4 M of Wholesale ECL, partially offset by a charge in the Retail ECL of RO0.2 M. As explained above, the release was driven by an improvement in the macro-economic environment as against the prior year.

Operating expenses rose by 11.5% to RO13.6 M compared with RO12.2 M for the same period in 2020 primarily due to higher IT related expenses.

Loans and advances to customers decreased by 11.5% to RO1,346.7 M compared with RO1,521.6 M as at 31 March 2020.

Customer deposits decreased by 3.5% to RO2,002.1 M compared to the same period last year. Our liquidity remains strong, as evidenced by an Advances to Deposit ratio (ADR) of 67.3% at the end of March 2021.

HBON's Capital Adequacy Ratio (CAR) stood at 20.9% as at 31 March 2021 compared with 17.6% as at 31 March 2020.

### **Delivering the best customer experience**

In Wealth and Personal Banking, we continued to support our customers during these challenging times. Relief measures continued to be in place for customers impacted by COVID-19, including the deferral of loan installments and fee waivers.

We launched key initiatives during the first quarter focused on customer acquisition through our Superstart Customer Acquisition Campaign. We relaxed the lending criteria for loans and credit cards for certain segments of the market and also lowered the interest rate on loans for new customers to increase our market share.

We also launched the Mandoos 2021 scheme awarding competitive cash prizes compared to our peers. We continued to deepen our relationships through our Employee Banking Solutions program (which is a collaboration with our Wholesale business) through preferential pricing and personalized relationships with our top corporates.

In the Wholesale business, we hosted a Sustainable Finance Summit for Omani Corporates, focusing on Environmental, Social and Governance (ESG) issues and the opportunities to accelerate the efforts to build a healthier, more resilient and more sustainable future for the country.

Speakers at the event included the Head of Center of Sustainable Finance at HSBC as well as representatives from OQ Group, Sohar Port and Muscat Livestock, who gave insights and views on how to turn climate ambition into deliverable actions.

During the quarter we also launched a new corporate initiative focused on enhancing the ESG performance of Omani Businesses. "Living Business" aims to provide participants with one-on-one coaching delivered by ESG experts to help them achieve their sustainability goals. The companies that show the most promise will present their initiatives at the UK pavilion at Expo 2020 Dubai, with winners invited to attend a course at the Institute for Sustainability Leadership at The University of Cambridge.

#### **Investing in our people and the community**

We continued to invest in our staff training programmes, delivering 753 Learner Man-days. The majority of these programmes were delivered through instructor-led classes and webinars, whilst the remainder were delivered through e-learning.

We rolled out a Frontline Leaders Academy with an initial curriculum of Change Management, Coaching and Digital Skills in Wealth and Personal Banking.

Our Future Skills training sessions to support our strategy to create a "Bank Fit For the Future" continued with engagements on the strategic themes of Curiosity, Connectivity, Creativity, Resilience and Growth Mindset.

Under our Corporate Sustainability programme, we partnered with Injaz Oman to deliver the "Injaz Challenge 2021" with 17 teams involved from all GCC countries. The objective of the programme is to test the participants' ability to come up with innovative solutions for different challenges that businesses face today. It also aims to raise the entrepreneurial spirit amongst the participants and foster important skills such as team work, decision making, problem solving and strategic thinking.

#### **Changes to the Board of Directors**

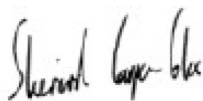
At our last Annual General Meeting on 28<sup>th</sup> March 2021, we welcomed Najla Zuhair Al Jamali, Loizos Mamas Christodoulides and Ranjit Singh as new members to our Board. They bring a wealth of experience to Board which I am sure will help us to continue to position HSBC Oman as a leader in the banking industry in the country.

On behalf of the Board of Directors, I would like to express my sincere thanks and gratitude to our outgoing directors, Brigadier (Ret) Waleed Al Zawawi, Dr. Juma Al Juma and Shaikh. Aimen Al Hosni, for their extraordinary contribution and support over the last years and to wish them all the very best in their future endeavours.

#### **Conclusion**

Finally, I would like to express my thanks and appreciation to all our stakeholders and to the Central Bank of Oman and the Capital Market Authority for their continuous support.

On behalf of the Board of Directors I would like to express my sincere gratitude to His Majesty Sultan Haitham bin Tariq for his wise leadership, and we affirm our full support to the Omani government at all times.



**Sir Sherard Cowper-Coles**  
**Chairman**

## Summary of unaudited results for the three month period ended 31 March 2021

	<b>31 March 2021 RO'000</b>	31 March 2020 RO'000	Change (%)
<b>Loans and advances to customers – net</b>	<b>1,346,652</b>	1,521,640	(11.5)%
<b>Customer deposits</b>	<b>2,002,074</b>	2,073,748	(3.5)%
<b>Net assets</b>	<b>330,973</b>	330,665	0.1%
<b>*Net assets per share</b>	<b>0.165</b>	0.165	-

	<b>Three month period ended 31 March 2021 RO'000</b>	Three month period ended 31 March 2020 RO'000	Change (%)
<b>Net interest income</b>	<b>12,279</b>	14,067	(12.7)%
<b>Profit / (loss) for the period</b>	<b>4,264</b>	(4,475)	195.3%
<b>** Earning / (loss) per share (annualized)</b>	<b>0.009</b>	(0.009)	200.0%
<b>*** Capital adequacy ratio (CAR)</b>	<b>20.91%</b>	17.63%	3.28%

\* Net assets (book value) per share is calculated by dividing the net assets (book value) at 31 March by the number of ordinary shares in issue at 31 March.

\*\* Earnings / (loss) per share (annualised) has been calculated by dividing the annualised net profit / (loss) after tax attributable to ordinary shareholders for the period ended 31 March by the average number of ordinary shares in issue for the period.

\*\*\* Capital adequacy ratio has been calculated in accordance with the Basel Capital Adequacy Accord. The ratio represents the ratio of risk weighted assets to capital.

## Report on review of interim condensed financial information to the directors of HSBC Bank Oman SAOG

### Introduction

We have reviewed the accompanying unaudited interim condensed statement of financial position of HSBC Bank Oman SAOG as at 31 March 2021 and the related unaudited interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' and the minimum disclosure requirements issued by the Capital Market Authority ("CMA"). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.



Muscat, Sultanate of Oman  
25 April 2021



**Unaudited interim condensed statement of comprehensive income for the three month period ended 31 March 2021**

		Three month period ended 31 March 2021	Three month period ended 31 March 2020
	Notes	RO'000	RO'000
Interest income	3	16,164	19,151
Interest expense	4	(3,885)	(5,084)
<b>Net interest income</b>		<b>12,279</b>	<b>14,067</b>
Fee income		3,283	3,408
Fee expense		(818)	(837)
<b>Net fee income</b>		<b>2,465</b>	<b>2,571</b>
Net trading income		1,711	2,615
Changes in fair value of financial investments measured at Fair Value Through Profit and Loss (FVTPL)		-	(214)
Other operating income - net		120	(9)
<b>Net operating income before loan impairment charges and other credit provisions</b>		<b>16,575</b>	<b>19,030</b>
Change in expected credit losses and other credit impairment charges	5	2,155	(11,330)
<b>Net operating income</b>		<b>18,730</b>	<b>7,700</b>
Employee compensation and benefits		(6,025)	(5,752)
General and administrative expenses	6	(6,749)	(5,558)
Depreciation and impairment of property, equipment and right-of-use assets		(827)	(613)
Amortisation of intangible assets	7	-	(252)
<b>Total operating expenses</b>		<b>(13,601)</b>	<b>(12,175)</b>
<b>Profit / (loss) before tax</b>		<b>5,129</b>	<b>(4,475)</b>
Tax expense		(865)	-
<b>Profit / (loss) for the period</b>		<b>4,264</b>	<b>(4,475)</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss</b>			
Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI)			
-Fair value (loss) / gain		(800)	639
-Expected credit losses recognised in income statement		(97)	8
-Income tax		120	(96)
<b>Other comprehensive (loss) / income for the period - net of tax</b>		<b>(777)</b>	<b>551</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>3,487</b>	<b>(3,924)</b>
<b>Earnings / (loss) per share – basic and diluted</b>	8		
-for the period (RO)		0.002	(0.002)
-annualised (RO)		0.009	(0.009)

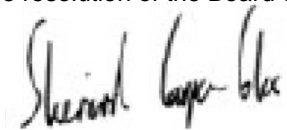
The accompanying notes form an integral part of this interim condensed financial information.

## Unaudited interim condensed statement of financial position as at 31 March 2021

		At 31 March 2021	At 31 March 2020	Audited At 31 December 2020
	Notes	RO'000	RO'000	RO'000
<b>Assets</b>				
Cash and balances with central banks		229,115	210,151	220,485
Due from banks		218,977	221,498	227,448
Loans and advances to customers - net	9	1,346,652	1,521,640	1,363,582
Financial investments	10	617,121	496,553	483,569
Other assets	11	44,347	65,779	36,610
Intangible assets	12	-	1,471	-
Property and equipment	13	19,615	23,982	19,488
Deferred tax assets		4,517	1,982	4,405
<b>Total assets</b>		<b>2,480,344</b>	<b>2,543,056</b>	<b>2,355,587</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks		84,538	67,175	63,774
Deposits from customers	14	2,002,074	2,073,748	1,905,771
Other liabilities	15	57,699	69,322	54,354
Current tax liabilities		5,060	2,146	4,202
<b>Total liabilities</b>		<b>2,149,371</b>	<b>2,212,391</b>	<b>2,028,101</b>
<b>Equity</b>				
Share capital	20	200,031	200,031	200,031
Legal reserve	21(a)	45,944	45,944	45,944
FVOCI reserve	21(b)	912	1,168	1,689
Retained earnings		84,086	83,522	79,822
<b>Net equity</b>		<b>330,973</b>	<b>330,665</b>	<b>327,486</b>
<b>Total liabilities and equity</b>		<b>2,480,344</b>	<b>2,543,056</b>	<b>2,355,587</b>
<b>Off-balance sheet items:</b>				
<b>Contingent liabilities and commitments</b>				
Documentary credits		72,884	77,700	82,622
Guarantees and performance bonds		480,867	536,347	510,843
Others	16	994,609	1,282,469	1,001,567
		<b>1,548,360</b>	<b>1,896,516</b>	<b>1,595,032</b>

The accompanying notes form an integral part of this interim condensed financial information.

The interim condensed financial information were authorised for issue on 25 April 2021 in accordance with the resolution of the Board of Directors.



**Sir Sherard Cowper-Coles**  
Chairman



**Melika Betley**  
Chief Executive Officer



Unaudited interim condensed statement of changes in equity for the three month period ended 31 March 2021

	Share capital	Legal reserve	FVOCI reserve	Retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2020	200,031	45,944	617	105,400	351,992
Total comprehensive income / (loss) for the period					
Loss for the period	-	-	-	(4,475)	(4,475)
Other comprehensive income for the period					
Net movement in fair value of debt instruments carried at FVOCI (net of tax)	-	-	551	-	551
Total other comprehensive income for the period	-	-	551	-	551
Total comprehensive income / (loss) for the period			551	(4,475)	(3,924)
Transaction with shareholders, recorded directly in equity					
Dividend for 2019	-	-	-	(17,403)	(17,403)
At 31 March 2020	200,031	45,944	1,168	83,522	330,665
<b>At 1 January 2021</b>	<b>200,031</b>	<b>45,944</b>	<b>1,689</b>	<b>79,822</b>	<b>327,486</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	4,264	4,264
<b>Other comprehensive income / (loss) for the period</b>					
Net movement in fair value of debt instruments carried at FVOCI (net of tax)	-	-	(777)	-	(777)
<b>Total other comprehensive loss for the period</b>	-	-	(777)	-	(777)
<b>Total comprehensive (loss) / income for the period</b>	-	-	(777)	4,264	3,487
<b>Transaction with shareholders, recorded directly in equity</b>					
Dividend for 2020	-	-	-	-	-
<b>At 31 March 2021</b>	<b>200,031</b>	<b>45,944</b>	<b>912</b>	<b>84,086</b>	<b>330,973</b>

The accompanying notes form an integral part of this interim condensed financial information

**Unaudited interim condensed statement of cash flows for the three month period ended  
31 March 2021**

		<b>Three month period ended 31 March 2021</b>	Three month period ended 31 March 2020
	<b>Notes</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Cash flows from operating activities</b>			
Profit / (loss) before tax		<b>5,129</b>	(4,475)
Adjustments for:			
- non-cash items included in profit before tax	25(a)	<b>(1,266)</b>	12,366
-Change in operating assets	25(b)	<b>10,922</b>	(51,396)
-Change in operating liabilities	25(c)	<b>99,598</b>	7,203
-Tax paid		-	(5,241)
- Retirement benefits paid		<b>(17)</b>	-
<b>Net cash generated from / (used in) operating activities</b>		<b>114,366</b>	(41,543)
<b>Cash flows from investing activities</b>			
Purchase of financial investments		<b>(10,157)</b>	(20,069)
Proceeds from maturity of financial investments		<b>135</b>	25,023
Purchase of property, equipment and softwares	13	<b>(633)</b>	(650)
Proceeds from sale of property and equipment		-	-
<b>Net cash (used in) / generated from investing activities</b>		<b>(10,655)</b>	4,304
<b>Cash flows used in financing activities</b>			
Dividends paid		-	(17,403)
<b>Net change in cash and cash equivalents</b>		<b>103,711</b>	(54,642)
Cash and cash equivalents at the beginning of the period		<b>799,707</b>	797,388
<b>Cash and cash equivalents at the end of the period</b>	25(d)	<b>903,418</b>	742,746

The accompanying notes form an integral part of these interim condensed financial information.

**1 Legal status and activities**

HSBC Bank Oman S.A.O.G. ('the Bank' or 'HBON') is an Omani joint stock company, which was incorporated on 1 January 1979, operating as a commercial bank through a network of branches in the Sultanate of Oman. The registered address of the Bank is P.O. Box 1727, CPO Seeb, Postal Code 111, Sultanate of Oman. The Bank has its shares listed on Muscat Stock Exchange ('MSX').

HSBC Middle East Holdings BV ('HMEH') holds 51% of the shares in HBON. The ultimate parent company of HBON is HSBC Holdings plc, which is incorporated in England.

**2 Basis of preparation and accounting policies**

**2.1 Basis of preparation**

**(a) Compliance with International Financial Reporting Standards**

The interim condensed financial information of the Bank has been prepared in accordance with IAS 34 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standards Board ('IASB'), the disclosure requirements set out in the Rules for Disclosure and Proforma issued by the Capital Market Authority ('CMA'), the Commercial Companies Law of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman ("CBO").

The interim condensed financial information should be read in conjunction with the audited financial statements of the Bank as at and for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB, the disclosure requirements of CMA and the applicable regulations of the CBO.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

**(b) Presentation of information**

The functional currency of the Bank is Rial Omani ("RO"), which is also the presentation currency used in the interim condensed financial information of the Bank.

**(c) Corresponding figures**

This interim condensed financial information include corresponding figures information as required by IAS 34 and as stipulated in the CMA proforma.

**(d) Use of estimates and assumptions**

The preparation of the interim condensed financial information in conformation with IFRS requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgment are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared. Management believes that the Bank's critical accounting policies where judgment is necessarily applied are those which relate to the impairment of financial assets at amortised cost, impairment of non-financial assets at amortised cost and the valuation of financial instruments.

**Notes to the unaudited interim condensed financial information (continued)**

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**(e) Future accounting developments**

Information on future accounting developments and their potential effect on the financial statements of the Bank are provided in the Annual Report and Accounts 2020.

The IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2021. The Bank expects they will have an insignificant effect, when adopted, on the financial statements of the Bank.

**(f) Segment analysis**

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. The Executive Committee ('EXCO') is the Chief Operating Decision Maker ('CODM') which operates as a managing committee under the authority of the Board and review the operating segment results, make decisions about resources allocation and assess the segment performance.

**Products and services**

The Bank provides a comprehensive range of banking and related financial services to its customers.

- Wealth and Personal Banking ('WPB') offers a broad range of products and services to meet the personal banking needs, consumer finance and wealth management needs of individual customers. Typically, customer offerings include personal banking products (current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services) and wealth management services (insurance and investment products and financial planning services).
- Commercial Banking ('CMB') customers range from small enterprises focused primarily on their domestic markets through to corporates operating globally. CMB support customers with tailored financial products and services to allow them to operate efficiently and grow. Services provided include working capital, term loans, payment services and international trade facilitation, as well as expertise in access to financial markets.
- Global Banking and Markets ('GB&M') provides tailored financial solutions to government, corporate and institutional clients. The client focused business lines deliver a full range of banking capabilities including financing, advisory and transaction services; a markets business that provides services in credit, rates, foreign exchange, money markets and securities services; and principal investment activities.
- Corporate Centre comprises central stewardship costs that support our businesses.

**2.2 Accounting policies**

The accounting policies applied by the Bank in this interim condensed financial information are the same as those applied by the Bank in its financial statements as at and for the year ended 31 December 2020.

Notes to the unaudited interim condensed financial information (continued)

**3 Interest income**

Interest bearing assets earned interest at an overall annualised rate of 3.04% for the three month period ended 31 March 2021 (31 March 2020 – 3.45%).

	Three month period ended 31 March 2021	Three month period ended 31 March 2020
	RO'000	RO'000
Loans and advances to customers	14,194	17,116
Financial investments	1,077	1,293
Due from banks	163	730
Others	730	12
<b>Total</b>	<b>16,164</b>	<b>19,151</b>

**4 Interest expense**

For the three month period ended 31 March 2021, the average overall annualised cost of funds was 0.77% (31 March 2020 – 0.95%).

	Three month period ended 31 March 2021	Three month period ended 31 March 2020
	RO'000	RO'000
Deposits from customers	(3,763)	(5,031)
Due to banks	(81)	(43)
Others	(41)	(10)
<b>Total</b>	<b>(3,885)</b>	<b>(5,084)</b>

**5 Change in expected credit losses and other credit impairment charges - net**

	Three month period ended 31 March 2021	Three month period ended 31 March 2020
	RO'000	RO'000
Loans and advances to customer	2,817	(10,837)
Due from banks	97	14
Loan commitment and guarantees	(944)	(492)
Other financial assets	88	(7)
Financial investments at FVOCI	97	(8)
<b>Total</b>	<b>2,155</b>	<b>(11,330)</b>

## Notes to the unaudited interim condensed financial information (continued)

**6 General and administrative expenses**

	<b>Three month period ended 31 March 2021</b>	Three month period ended 31 March 2020
	<b>RO'000</b>	RO'000
Marketing and advertising*	<b>(396)</b>	(411)
Premises and equipment	<b>(840)</b>	(680)
Communications	<b>(194)</b>	(100)
Insurance	<b>(290)</b>	(285)
Other administrative expense	<b>(5,029)</b>	(4,082)
<b>Total</b>	<b>(6,749)</b>	(5,558)

\*Marketing and advertising expenses for the current period include the RO0.2M of "Mandoos Prize" draw expenses (31 March 2020: RO0.3 M).

**7 Amortisation of intangible assets**

	<b>Three month period ended 31 March 2021</b>	Three month period ended 31 March 2020
	<b>RO'000</b>	RO'000
Softwares	<b>-</b>	(252)

**8 Earnings per share – basic and diluted**

Earnings per share is calculated by dividing the profit attributable to the shareholders by the weighted average number of shares in issue, as follows:

	<b>Three month period ended 31 March 2021</b>	Three month period ended 31 March 2020	Year ended 31 December 2020
Weighted average number of shares in issue ('000)	<b>2,000,312</b>	2,000,312	2,000,312
Profit / (loss) for the period / year (RO'000)	<b>4,264</b>	(4,475)	(8,211)
<b>Earnings / (loss) per share – basic and diluted (RO)</b>			
- for the period / year	<b>0.002</b>	(0.002)	(0.004)
- annualised	<b>0.009</b>	(0.009)	(0.004)

## Notes to the unaudited interim condensed financial information (continued)

## 9 Loans and advances to customers - net

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
Overdrafts	164,170	187,193	157,030
Credit cards	27,642	28,904	27,809
Loans	1,133,392	1,282,351	1,168,280
Clean import loans	72,460	106,262	65,834
Bills discounted / purchased	12,467	9,124	10,717
<b>Gross loans and advances</b>	<b>1,410,131</b>	<b>1,613,834</b>	<b>1,429,670</b>
Allowances for ECL	(49,440)	(49,627)	(52,672)
Reserved interest*	(14,039)	(42,567)	(13,416)
<b>Loans and advances (net)</b>	<b>1,346,652</b>	<b>1,521,640</b>	<b>1,363,582</b>

\* Reserved interest forms part of allowances for ECL for the purpose of IFRS

Reconciliation of allowance for ECL on Loans and advances to customers:

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
<b>At 1 January</b>	<b>52,672</b>	<b>38,776</b>	<b>38,776</b>
Net remeasurement of ECL arising from transfer of stage	385	1,024	1,338
Net new lending and changes to risk parameters	(2,453)	10,646	17,160
Assets written off	(1,164)	(819)	(4,602)
<b>At 31 March / 31 December</b>	<b>49,440</b>	<b>49,627</b>	<b>52,672</b>
ECL release / (charge) for the period / year	2,068	(11,670)	(18,498)
Recoveries	749	833	3,320
<b>Total ECL release / (charge) for the period / year</b>	<b>2,817</b>	<b>(10,837)</b>	<b>(15,178)</b>

## Risk related to Covid-19

The Covid-19 outbreak and its effect on the global economy including the sultanate of Oman, have continued to impact our customers and our performance, and the future effects of the pandemic remain uncertain. The outbreak necessitated governments to respond at unprecedented levels to protect public health, support local economies and protect livelihoods.

The varying government support measures and restrictions in response to the outbreak have created additional challenges, given the rapid pace of change and significant operational demands. The Central Bank of Oman (CBO) introduced a series of measures to protect the stability of country's economy including deferral of loan instalments for the affected borrowers. The speed at which countries and territories are able to return to pre-Covid-19 levels of economic activity will vary based on the levels of continuing government support offered, the level of infection and access to and ability to roll out vaccines. There remains a risk of subsequent waves of infection, as evidenced by the emergence of new variants of the virus. We continue to monitor the situation.

The development of Covid-19 vaccines has raised hopes of widespread immunisation being achieved across countries and government restrictions being lifted. However, there is significant divergence in the speed at which vaccines have been deployed and vaccine efficacy and side effects over various time horizons remain uncertain. Tensions have been evident and may continue to persist as countries compete for access to the array of vaccines either under development, pending approval or already approved.

Notes to the unaudited interim condensed financial information (continued)

The outbreak has also resulted in changes in the behaviours of our retail and wholesale customers, leading some to require payment holidays and others to waive or defer the payments on loan balances. Together, these factors have impacted the performance of our ECL models, requiring enhanced monitoring of model outputs and use of compensating controls. These include management judgmental adjustments based on the expert judgement of senior credit risk managers and the recalibration of key loss models to take into account the impacts of Covid-19 on critical model inputs. The continued economic uncertainty from the Covid-19 outbreak could adversely impact our revenue assumptions, notably volume growth, as well as create volatility in our ECL charges.

**Management judgmental adjustments**

In the context of IFRS 9, management judgemental adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late-breaking events, model deficiencies and other assessments applied during management review and challenge.

At 31 March 2021, management judgements were applied to reflect dynamics not captured by our models. The drivers of the management judgemental adjustments continue to evolve with the economic environment. We have internal governance in place to monitor management judgemental adjustments regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate. Wider-ranging model changes will take time to develop and need observable loss data on which models can be developed. Models will be revisited over time once the longer-term impacts of the Covid-19 outbreak are observed. Therefore, we continue to anticipate significant management judgemental adjustments for the foreseeable future in 2021.

Four economic scenarios have been used to capture the exceptional nature of the current economic environment and to articulate management's view of the range of potential outcomes. Three of these scenarios are drawn from consensus forecasts and distributional estimates. The nature of the current economic environment has led management to choose an additional scenario to represent its view of severe downside risks. Scenarios produced to calculate ECL are discussed more in detail of note 30 of the 2020 annual report and accounts.

The movement on reserved interest for the three month period ended is analysed below:

	<b>31 March 2021</b>	31 March 2020	31 December 2020
	<b>RO'000</b>	RO'000	RO'000
Balance at the beginning of the period/ year	<b>13,416</b>	41,952	41,952
Reserved during the period/ year	<b>690</b>	783	3,394
Released to the statement of comprehensive income	<b>(67)</b>	(104)	(438)
Written off during the period/ year	<b>-</b>	(64)	(31,492)
Balance at the end of the period/ year	<b>14,039</b>	42,567	13,416

The interest rate bands of gross loans and advances to customers are as follows:

	<b>31 March 2021</b>	31 March 2020	31 December 2020
	<b>RO'000</b>	RO'000	RO'000
0-5%	<b>983,037</b>	1,147,802	1,010,485
5-7%	<b>367,942</b>	398,135	357,767
7-10%	<b>24,383</b>	32,146	26,567
10-13%	<b>3,431</b>	3,300	3,381
More than 13%	<b>31,338</b>	32,451	31,470
<b>Total</b>	<b>1,410,131</b>	1,613,834	1,429,670



**Notes to the unaudited interim condensed financial information (continued)**

Maturity analysis of net loans and advances to customers as per CBO circular BM 955 is as follows:

	<b>31 March 2021</b>	31 March 2020	31 December 2020
	<b>RO'000</b>	RO'000	RO'000
0-6 months	<b>309,554</b>	463,425	307,772
6-12 months	<b>39,865</b>	22,280	35,027
1-3 years	<b>255,203</b>	77,092	283,756
3-5 years	<b>162,253</b>	305,597	174,453
More than 5 years	<b>579,777</b>	653,246	562,574
<b>Total</b>	<b>1,346,652</b>	1,521,640	1,363,582

**Concentration of loans and advances:**

Loans and advances to customers by industry sector

	<b>31 March 2021</b>	31 March 2020	31 December 2020
	<b>RO'000</b>	RO'000	RO'000
<b>Personal and consumer loans</b>	<b>441,869</b>	494,143	448,877
<b>Corporate and commercial</b>			
Import trade	<b>139,112</b>	199,589	137,007
Construction	<b>86,646</b>	91,537	81,835
Manufacturing	<b>169,603</b>	221,956	169,992
Wholesale and retail trade	<b>47,543</b>	80,914	60,988
Electricity, gas, water, transportation and communication	<b>89,378</b>	96,278	94,288
Services	<b>115,356</b>	116,195	113,743
Mining and quarrying	<b>40,574</b>	165,078	40,278
Others	<b>280,050</b>	140,422	282,662
	<b>968,262</b>	1,111,969	980,793
Financial Institutions	-	7,722	-
<b>Total gross loans and advances</b>	<b>1,410,131</b>	1,613,834	1,429,670
ECL Allowances	<b>(49,440)</b>	(49,627)	(52,672)
Reserved interest	<b>(14,039)</b>	(42,567)	(13,416)
<b>Net loans and advances</b>	<b>1,346,652</b>	1,521,640	1,363,582
<b>Non-performing loans (NPL)</b>	<b>50,748</b>	77,358	50,587

**Impairment charge and provision held (as per CBO illustrative disclosure)**

	<b>As per CBO norms</b>	<b>As per IFRS 9</b>	<b>Difference</b>
<b>As of 31 March 2021</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Impairment loss (charged) / released to profit and loss account	<b>(2,790)</b>	<b>2,155</b>	<b>4,945</b>
Provisions required*	<b>44,241</b>	<b>56,063</b>	<b>11,822</b>
Gross NPL ratio (percentage)	<b>3.60%</b>	<b>3.60%</b>	-
Net NPL ratio (percentage)	<b>0.77%</b>	<b>0.87%</b>	<b>0.10%</b>

\*Impairment loss charged in this interim condensed financial information is based on IFRS 9 as IFRS 9 ECL allowance is more than the CBO provision requirement.

## Notes to the unaudited interim condensed financial information (continued)

## Comparison of provision held as per IFRS 9 and provision required as per CBO norms (as per CBO illustrative disclosure) as of 31 March 2021

Assets classification as per CBO Norms (1)	Assets classification as per IFRS 9 (2)	Gross carrying amount (3)	Provision required as per CBO Norms (4)	Provisions held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6)=(4)-(5)	Net carrying amount (7)=(3)-(5)	Reserve interest as per CBO norms (8)
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Standard	Stage 1	801,555	11,078	7,898	3,180	793,657	169
	Stage 2	541,094	5,562	12,994	(7,432)	528,100	965
	Stage 3	-	-	-	-	-	-
		1,342,649	16,640	20,892	(4,252)	1,321,757	1,134
Special mention	Stage 1	-	-	-	-	-	-
	Stage 2	16,294	168	2,352	(2,184)	13,942	27
	Stage 3	439	86	66	20	373	16
		16,733	254	2,418	(2,164)	14,315	43
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	1,468	367	820	(453)	648	86
		1,468	367	820	(453)	648	86
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	2,008	757	419	338	1,589	209
		2,008	757	419	338	1,589	209
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	47,273	26,223	24,891	1,332	22,382	12,567
		47,273	26,223	24,891	1,332	22,382	12,567
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,440,360	-	759	(759)	1,439,601	-
	Stage 2	301,187	-	5,026	(5,026)	296,161	-
	Stage 3	1,883	-	838	(838)	1,045	-
		1,743,430	-	6,623	(6,623)	1,736,807	-
Total	Stage 1	2,241,915	11,078	8,657	2,421	2,233,258	169
	Stage 2	858,575	5,730	20,372	(14,642)	838,203	992
	Stage 3	53,071	27,433	27,034	399	26,037	12,878
	Total	3,153,561	44,241	56,063	(11,822)	3,097,498	14,039

## Notes to the unaudited interim condensed financial information (continued)

## Restructured loans and advances (as per CBO illustrative disclosure) as of 31 March 2021

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Net carrying amount RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
Classified as performing	Stage 1	24,551	246	458	(212)	24,093	-
	Stage 2	56,393	564	5,309	(4,745)	51,084	-
	Stage 3	439	86	66	20	373	16
Sub Total		81,383	896	5,833	(4,937)	75,550	16
Classified as non- performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	16,866	10,434	10,746	(312)	6,120	724
		16,866	10,434	10,746	(312)	6,120	724
Total	Stage 1	24,551	246	458	(212)	24,093	-
	Stage 2	56,393	564	5,309	(4,745)	51,084	-
	Stage 3	17,305	10,520	10,812	(292)	6,493	740
	Total	98,249	11,330	16,579	(5,249)	81,670	740

# HSBC Bank Oman S.A.O.G.

## Notes to the unaudited interim condensed financial information (continued)

### 10 Financial investments

Financial investments details are provided as follows:

	Fair value	Fair value	Fair value	Carrying value*	Carrying value	Carrying value	Cost	Cost	Cost
	31 March	31 March	31 December	31 March	31 March	31 December	31 March	31 March	31 December
	2021	2020	2020	2021	2020	2020	2021	2020	2020
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Marketable securities – MSX</b>									
Government bonds	77,038	86,122	67,670	77,038	86,122	67,670	76,781	84,970	66,617
<b>Unquoted and other investments</b>									
Treasury bills**	539,866	408,261	415,547	539,866	408,261	415,547	539,839	408,163	415,515
Unquoted Omani shares	210	260	210	210	260	210	260	260	260
Unquoted foreign shares	7	7	7	7	7	7	7	7	7
Investment fund units	-	1,903	135	-	1,903	135	-	2,879	107
	540,083	410,431	415,899	540,083	410,431	415,899	540,106	411,309	415,889
<b>Total</b>	<b>617,121</b>	<b>496,553</b>	<b>483,569</b>	<b>617,121</b>	<b>496,553</b>	<b>483,569</b>	<b>616,887</b>	<b>496,279</b>	<b>482,506</b>

\*ECL allowance on financial investments amounting to RO0.7 M (31 March 2020: RO0.1 M and 31 December 2020: RO0.8 M) has been recorded in FVOCI reserve

\*\*These includes the foreign quoted treasury bills of RO260.1 M (31 March 2020: RO261.3 M and 31 December 2020: RO225.6 M)

## Notes to the unaudited interim condensed financial information (continued)

## Carrying amount of financial investments

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
<b>Financial investments measured at fair value through other comprehensive income</b>			
Treasury bills	539,866	408,261	415,547
Government bonds	77,038	86,122	67,670
Other investments	200	250	200
	617,104	494,633	483,417
<b>Financial investments measured at fair value through profit or loss</b>			
Equity investments	17	1,920	152
<b>Total</b>	<b>617,121</b>	<b>496,553</b>	<b>483,569</b>

## 11 Other assets

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
Acceptances	25,705	35,590	22,149
ECL on acceptances	(101)	(77)	(167)
Acceptances (net of ECL)	25,604	35,513	21,982
Derivatives - positive mark-to-market	13,910	12,843	10,569
Prepayments and accrued income	626	819	408
Right-of-use assets	3,027	2,899	3,180
Others	1,180	13,705	471
<b>Total</b>	<b>44,347</b>	<b>65,779</b>	<b>36,610</b>

## 12 Intangible assets

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
Softwares	-	2,418	5,025
Less: amortised	-	(947)	(1,227)
Less: Impairment	-	-	(3,798)
<b>Total</b>	<b>-</b>	<b>1,471</b>	<b>-</b>

## 13 Property and equipment

RO0.6 M of property and equipment were added during the period (31 March 2020: RO0.7 M). Property and equipment disposed of during the period was RO0.5 M (31 March 2020: RO0.4 M).

Notes to the unaudited interim condensed financial information (continued)

14 Deposits from customers

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
Deposits details are as follows:			
Current and call	972,943	1,109,150	893,758
Savings	419,910	403,160	416,286
Time deposits	605,396	558,156	591,533
Others	3,825	3,282	4,194
<b>Total</b>	<b>2,002,074</b>	<b>2,073,748</b>	<b>1,905,771</b>

Maturity analysis of customer deposits as per CBO circular BM 955 is as follows:

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
0-6 months	791,716	757,371	728,807
6-12 months	273,088	328,454	264,116
1-3 years	168,655	213,460	167,115
3-5 years	394,612	367,546	391,609
Over 5 years	374,003	406,917	354,124
<b>Total</b>	<b>2,002,074</b>	<b>2,073,748</b>	<b>1,905,771</b>

The interest rate bands of deposits are as follows:

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
0-2%	1,589,118	1,585,987	1,492,910
2-5%	412,956	487,761	412,861
<b>Total</b>	<b>2,002,074</b>	<b>2,073,748</b>	<b>1,905,771</b>

15 Other liabilities

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
Derivatives – negative mark-to-market	871	1,512	4,337
Retirement benefit liability	1,436	1,374	1,389
Acceptances	25,705	35,590	22,149
Provisions	432	539	446
ECL on off balance sheet exposure and other commitments	5,521	3,245	4,580
Accruals and deferred income	3,623	3,208	4,973
Obligations under finance leases	2,968	2,388	3,208
Others	17,143	21,466	13,272
<b>Total</b>	<b>57,699</b>	<b>69,322</b>	<b>54,354</b>

## Notes to the unaudited interim condensed financial information (continued)

## 16 Contingent liabilities, commitments and derivatives

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
Undrawn unconditionally cancellable commitments*	520,581	550,778	522,150
Undrawn unconditionally non-cancellable commitments	67,169	82,071	61,438
Forward foreign exchange contracts	183,944	460,970	195,064
Interest rate swaps	222,915	188,650	222,915
<b>Total</b>	<b>994,609</b>	<b>1,282,469</b>	<b>1,001,567</b>

\*Undrawn unconditionally cancellable commitments of RO99 M (31 December 2020: RO98 M) are considered as part of loan commitments for IFRS 9.

As at 31 March 2021, there were certain legal suits pending against the Bank. Based on the opinion of the Bank's legal counsel, the Bank's management believes that no additional liability is expected to arise from these cases and therefore the management does not consider it necessary to make any additional provisions in this regard.

## Notes to the unaudited interim condensed financial information (continued)

## 17 Basis of valuation for financial assets and liabilities measured at fair value

	Valuation techniques		
	Level 1	Level 2	Total
	RO'000	RO'000	RO'000
<b>At 31 March 2021</b>			
<b>Assets</b>			
Derivatives	-	13,910	13,910
Financial investments at fair value through other comprehensive income	260,103	357,001	617,104
Financial investments at fair value through profit or loss	-	17	17
<b>Liabilities</b>			
Derivatives	-	871	871
Deposits from customers	-	234,170	234,170
<b>At 31 March 2020</b>			
<b>Assets</b>			
Derivatives	-	12,843	12,843
Financial investments at fair value through other comprehensive income	261,297	233,336	494,633
Financial investments at fair value through profit or loss	-	1,920	1,920
<b>Liabilities</b>			
Derivatives	-	1,512	1,512
Deposits from customers	-	193,922	193,922
<b>At 31 December 2020</b>			
<b>Assets</b>			
Derivatives	-	10,569	10,569
Financial investments at fair value through other comprehensive income	225,603	257,814	483,417
Financial investments at fair value through profit or loss	-	152	152
<b>Liabilities</b>			
Derivatives	-	4,337	4,337
Deposits from customers	-	232,610	232,610

**Financial investments and derivatives**

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, fair value is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date.

Foreign exchange contracts are valued based on the data derived from the market. The market value adjustment of foreign exchange contracts are included in the book value of other assets and other liabilities.

There has been no change to the basis of valuation of level 2 financial assets and liabilities disclosed in the latest audited financial statements of the Bank for the year ended 31 December 2020.



## Notes to the unaudited interim condensed financial information (continued)

**18 Asset liability mismatch**

The asset liability mismatch is based on CBO circular BM 955 and given as follows:

Maturities	31 March 2021			31 March 2020			31 December 2020		
	Assets	Liabilities and equity	Mismatch	Assets	Liabilities and equity	Mismatch	Assets	Liabilities and equity	Mismatch
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
0-6 months	1,294,263	933,259	361,004	1,393,194	889,584	503,610	1,161,003	845,501	315,502
6-12 months	63,441	277,583	(214,142)	30,593	327,163	(296,570)	58,902	256,961	(198,059)
1-3 years	291,900	168,655	123,245	80,425	213,460	(133,035)	303,520	167,115	136,405
3-5 years	199,452	394,612	(195,160)	333,247	367,546	(34,299)	219,045	391,609	(172,564)
more than 5 years	631,288	706,235	(74,947)	705,597	745,303	(39,706)	613,117	694,401	(81,284)
<b>Total</b>	<b>2,480,344</b>	<b>2,480,344</b>	<b>-</b>	<b>2,543,056</b>	<b>2,543,056</b>	<b>-</b>	<b>2,355,587</b>	<b>2,355,587</b>	<b>-</b>

Notes to the unaudited interim condensed financial information (continued)

19 Exposure to credit risk

Summary of financial instruments to which the impairment requirement in IFRS 9 are applied

	31 March 2021		31 March 2020		31 December 2020	
	Gross carrying /nominal amount (net of reserved interest)	Allowance for ECL	Gross carrying /nominal amount (net of reserved interest)	Allowance for ECL	Gross carrying /nominal amount (net of reserved interest)	Allowance for ECL
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash and balances with central bank	229,325	(210)	210,332	(181)	220,726	(241)
Due from banks	219,054	(77)	221,537	(39)	227,618	(170)
Loans and advances to customers						
-WPB	440,369	(9,292)	492,812	(9,802)	447,429	(9,570)
-Wholesale	955,723	(40,148)	1,078,455	(39,825)	968,825	(43,102)
Other assets	25,705	(101)	35,590	(77)	22,149	(167)
<b>Total gross carrying amount on balance sheet</b>	<b>1,870,176</b>	<b>(49,828)</b>	<b>2,038,726</b>	<b>(49,924)</b>	<b>1,886,747</b>	<b>(53,250)</b>
Loans and other credit related commitments	652,443	(5,521)	715,020	(3,245)	691,218	(4,580)
<b>Total nominal amount off balance sheet</b>	<b>652,443</b>	<b>(5,521)</b>	<b>715,020</b>	<b>(3,245)</b>	<b>691,218</b>	<b>(4,580)</b>
	Fair Value	Memorandum allowance for ECL	Fair Value	Memorandum allowance for ECL	Fair Value	Memorandum allowance for ECL
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Financial investments at FVOCI	616,904	(714)	494,633	(107)	483,217	(811)

20 Share capital

The share capital of the Bank is divided into 2,000,312,790 fully paid shares of RO0.100 each (31 March 2020 and 31 December 2020 – 2,000,312,790 shares of RO0.100 each). The authorised share capital of the Bank is 7,500 million shares of RO 0.100 each (31 March 2020 and 31 December 2020 –7,500 million shares of RO 0.100 each).

Major Shareholder

All those shareholders of the Bank who own 10% or more of the Bank's shares in their name, and the number of shares they hold are as follows:

	31 March 2021	31 March 2020	31 December 2020
	Number of shares	Number of shares	Number of shares
HSBC Middle East Holdings BV	1,020,159,523	1,020,159,523	1,020,159,523

## Notes to the unaudited interim condensed financial information (continued)

**21 Reserves***(a) Legal reserve*

In accordance with the Commercial Companies Law of Oman, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to one-third of the value of the Bank's paid-up share capital. This reserve is not available for distribution.

*(b) Fair value through other comprehensive income (FVOCI) reserve – financial investments*

FVOCI reserve represents fair value changes (net of tax) of financial assets measured at FVOCI.

**22 Related parties and holders of 10% of the Bank's shares**

The Bank's related parties include the parent, HSBC Group and related entities, key management personnel, close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced by Key Management Personnel or their close family members.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank and includes members of the Boards of Directors of the Bank.

Holders of 10% or more of the Bank's shares may include companies, individuals, or families. Families are included if the shares of the family members total 10% or more of the Bank's shares. Members of the family of an individual are those that may be expected to influence, or be influenced by that person in their dealings with the Bank.

The Bank enter into transactions with other HSBC affiliates, as part of the normal course of business, such as banking and operational services. In particular, as a member of one of the world's largest financial institutions, we share in the expertise and economies of scale provided by the HSBC Group. The Bank provide and receive services or enter into transactions with a number of HSBC Group companies, including sharing in the cost of development for technology platforms used around the world and benefit from worldwide contracts for advertising, marketing research, training and other operational areas. These related party transactions are on terms similar to those offered to non-related parties.

Analysis of the related party transactions with related parties or holders of 10% or more of the Bank's shares, ('significant shareholders') or their family members during the period is as follows:

	Parent entity	Other related group entities	Directors	Others	Total
31 March 2021	RO'000	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	-	577	83,122	83,699
Current, deposit and other accounts	-	3,102	586	12,015	15,703
Letters of credit and guarantees	-	125,275	-	10,747	136,022
Acceptances	-	-	-	888	888
Due from banks	-	53,446	-	-	53,446
Due to banks*	-	36,562	-	-	36,562
Collateral received	-	70,109	-	-	70,109
<b>For the period ended 31 March 2021</b>					
Net fee income**	-	(61)	-	-	(61)
Other operating expenses	-	(4,207)	(6)	(234)	(4,447)

\*Due to banks includes Vostro balances of RO34.0 M from HSBC affiliates and accrual of RO2.5 M for the expenses payable to HSBC Affiliates as of 31 March 2021.

\*\*Net fee income includes fee expenses of RO0.1 M incurred for the indemnity received as a collateral from HSBC affiliates.

Notes to the unaudited interim condensed financial information (continued)

	Parent entity	Other related group entities	Directors	Others	Total
31 March 2020	RO'000	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	-	345	116,436	116,781
Current, deposit and other accounts	-	2,873	211	19,881	22,965
Letters of credit and guarantees	-	144,666	-	13,135	157,801
Acceptances	-	-	-	8,771	8,771
Due from banks	-	42,367	-	-	42,367
Due to banks*	-	15,820	-	-	15,820
Collateral received	-	139,171	-	-	139,171
For the period ended 31 March 2020					
Net fee income**	-	(65)	-	-	(65)
Other operating expenses	-	(3,375)	(4)	(285)	(3,664)
Purchase of property and equipment	-	-	-	(5)	(5)

\*Due to banks includes Vostro balances of RO13.1 M from HSBC affiliates and accrual of RO2.7 M for the expenses payable to HSBC Affiliates as of 31 March 2020.

\*\*Net fee income includes fee expenses of RO0.2 M incurred for the indemnity received as a collateral from HSBC affiliates.

	Parent entity	Other related group entities	Directors	Others	Total
As at 31 December 2020	RO'000	RO'000	RO'000	RO'000	RO'000
Loans and advances	-	-	385	89,402	89,787
Current, deposit and other accounts	-	2,877	386	11,236	14,499
Letters of credit and guarantees	-	143,198	-	14,600	157,798
Acceptances	-	-	-	990	990
Due from banks	-	67,825	-	-	67,825
Due to banks*	-	20,832	-	-	20,832
Collateral received	-	71,521	-	-	71,521

\*Due to banks includes vostro balances of RO17.4 million, borrowings: nil from HSBC affiliates and accrual of RO3.4 million for the expenses payable to HSBC affiliates as of 31 December 2020.

The Bank entered into the following transactions with HSBC affiliates noting that the underlying customers of these transactions were not related parties.

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
Purchase of loans and advances	-	-	14,577

Related party loans and advances bear interest at rates between 3% p.a. and 7% p.a. (31 March 2020: between 3.9% p.a. and 5.0% p.a.). Related party deposits bear interest at rates between 0.1% p.a. and 0.5% p.a. (31 March 2020: between 1.3% p.a. and 1.7% p.a.).

## Notes to the unaudited interim condensed financial information (continued)

## Compensation of key management personnel

	Three month period ended 31 March 2021	Three month period ended 31 March 2020
	RO'000	RO'000
Wages, salaries and other short term benefits	381	441
Post-employment benefits	19	21
<b>Total</b>	<b>400</b>	<b>462</b>

## 23 Operating segments

The factors used to identify the Bank's reporting segments are discussed in note 2.1 (f).

	31 March 2021				
	CMB	WPB	GB&M	Corporate center	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income					
- External	3,507	6,136	2,692	(56)	12,279
- Internal	(137)	1,303	(1,219)	53	-
	3,370	7,439	1,473	(3)	12,279
Net fee income	902	671	923	(31)	2,465
Net trading income	474	397	840	-	1,711
Changes in fair value of financial investments measured at fair value through profit and loss	-	-	-	-	-
Other operating income	129	(7)	-	(2)	120
<b>Total operating income</b>	<b>4,875</b>	<b>8,500</b>	<b>3,236</b>	<b>(36)</b>	<b>16,575</b>
Change in expected credit losses and other credit impairment charges	(776)	(145)	3,076	-	2,155
<b>Net operating income</b>	<b>4,099</b>	<b>8,355</b>	<b>6,312</b>	<b>(36)</b>	<b>18,730</b>
<b>Total operating expenses</b>	<b>(2,918)</b>	<b>(7,882)</b>	<b>(1,730)</b>	<b>(1,071)</b>	<b>(13,601)</b>
<b>Profit / (Loss) before tax</b>	<b>1,181</b>	<b>473</b>	<b>4,582</b>	<b>(1,107)</b>	<b>5,129</b>
Reportable segment assets	1,128,523	661,612	582,979	107,230	2,480,344
Reportable segment liabilities	943,264	643,630	543,876	18,601	2,149,371

## Notes to the unaudited interim condensed financial information (continued)

	31 March 2020				
	CMB RO'000	WPB RO'000	GB&M RO'000	Corporate centre RO'000	Total RO'000
Net interest income					
- External	2,473	7,086	4,558	(50)	14,067
- Internal	1,715	161	(1,843)	(33)	-
	4,188	7,247	2,715	(83)	14,067
Net fee income	782	1,000	827	(38)	2,571
Net trading income	907	575	1,133	-	2,615
Changes in fair value of financial investments measured at fair value through profit and loss	-	-	-	(214)	(214)
Other operating income	(61)	(98)	(55)	205	(9)
<b>Total operating income</b>	<b>5,816</b>	<b>8,724</b>	<b>4,620</b>	<b>(130)</b>	<b>19,030</b>
Change in expected credit losses and other credit impairment charges	(1,672)	(1,823)	(7,835)	-	(11,330)
<b>Net operating income</b>	<b>4,144</b>	<b>6,901</b>	<b>(3,215)</b>	<b>(130)</b>	<b>7,700</b>
<b>Total operating expenses</b>	<b>(2,806)</b>	<b>(7,491)</b>	<b>(1,701)</b>	<b>(177)</b>	<b>(12,175)</b>
<b>Profit / (Loss) before tax</b>	<b>1,338</b>	<b>(590)</b>	<b>(4,916)</b>	<b>(307)</b>	<b>(4,475)</b>
Reportable segment assets	1,080,530	672,772	661,558	128,196	2,543,056
Reportable segment liabilities	1,144,869	601,660	448,636	17,226	2,212,391

**24 Capital adequacy ratio**

Capital management is guided by the CBO through circular BM 1009 (Guidelines on BASEL II) and regulatory capital under BASEL III framework. Capital adequacy is calculated on quarterly intervals and reported to the CBO. The bank is required to maintain minimum capital adequacy ratio of 12.25% including capital conservation buffer for 2020 (31 March 2020: 12.25% and 31 December 2020: 12.25%) in accordance with CBO stipulated guidelines.

Further to above; CBO issued the guidance on 3 June 2020 related to "Covid-19 - CBO Measures and IFRS-9 Application" where CBO introduced the "prudential filter" under interim adjustment arrangement for stage 1 and stage 2 ECL computed under IFRS9 to add as part of regulatory capital under Tier 2.

Accordingly, 100% Stage 1 ECLs shall continue to be added back to Tier 2 Capital. For stage 2 ECLs of base year (as of 31 December 2019) will continue to get earlier phase-out arrangement (i.e. 40% for 2020 and 20% for 2021) and incremental Stage 2 ECLs from the year 2020 and onwards, to be added back in 2020 in phase-out manner by 2024 (i.e. 80% for the year 2021) .

	<b>31 March 2021</b>	31 March 2020	31 December 2020
	<b>RO'000</b>	RO'000	RO'000
CET 1 / Tier 1 capital	<b>321,015</b>	326,006	321,072
Tier 2 capital (T2)	<b>16,112</b>	15,728	22,600
<b>Total regulatory capital</b>	<b>337,127</b>	341,734	343,672
Risk-weighted assets	<b>1,612,598</b>	1,938,187	1,647,748
CET 1 / Tier 1 capital ratio	<b>19.91%</b>	16.82%	19.49%
Total capital ratio	<b>20.91%</b>	17.63%	20.86%

## Notes to the unaudited interim condensed financial information (continued)

If the bank would not have applied the prudential filter as explained above, the Capital adequacy ratio for 31 March 2021 would have been as below;

	31 March 2021	31 March 2020	31 December 2020
	RO'000	RO'000	RO'000
CET 1 / Tier 1 capital	321,015	326,006	321,072
Tier 2 capital (T2)	12,731	15,728	18,481
<b>Total regulatory capital</b>	<b>333,746</b>	<b>341,734</b>	<b>339,553</b>
Risk-weighted assets	1,612,598	1,938,187	1,647,748
CET 1 / Tier 1 capital ratio	19.91%	16.82%	19.49%
Total capital ratio	20.70%	17.63%	20.61%

## 25 Cash and cash equivalents

	Notes	31 March 2021	31 March 2020
		RO'000	RO'000
<b>25(a) Non-cash items included in profit before tax</b>			
Changes in fair value of financial investments measured at fair value through profit and loss		-	214
Change in expected credit losses and other credit impairment charges	5	(2,155)	11,330
Depreciation of property and equipment		827	613
Amortisation of intangible assets	7	-	252
Amortisation of discount on financial investment		(7)	(142)
Employer's current service cost with interest		64	65
Loss on disposal of property and equipment		5	34
		<b>(1,266)</b>	<b>12,366</b>

	31 March 2021	31 March 2020
	RO'000	RO'000
<b>25(b) Change in operating assets</b>		
Change in loans and advances to customers-net	18,988	(30,236)
Change in other assets	(8,066)	(21,160)
<b>Total</b>	<b>10,922</b>	<b>(51,396)</b>

	31 March 2021	31 March 2020
	RO'000	RO'000
<b>25(c) Change in operating liabilities</b>		
Change in deposits from customers	96,303	2,291
Change in other liabilities	3,295	4,912
<b>Total</b>	<b>99,598</b>	<b>7,203</b>

**25(d)** The reconciliation of the components of cash and cash equivalents with the equivalent items shown in the unaudited interim condensed statement of financial position is shown below:

	31 March 2021	31 March 2020
	RO'000	RO'000
Unaudited interim condensed statement of financial position comprise:		
Cash and balances with central bank	229,115	210,151
Due from banks	218,977	221,498
Financial investments - original maturities of three months or less	539,864	378,272
Due to banks	(84,538)	(67,175)
<b>Total</b>	<b>903,418</b>	<b>742,746</b>

## Notes to the unaudited interim condensed financial information (continued)

**26 Liquidity coverage ratio (LCR)**

Liquidity coverage ratio (LCR) is guided by the CBO through circular BM 1127 (BASEL III: Framework on Liquidity coverage ratio and LCR disclosure standards). Liquidity coverage ratio is calculated on monthly intervals and reported to the CBO. The Banks are required to maintain minimum liquidity coverage ratio of 100% for 2021 (for 31 March 2020: 100%) in accordance with CBO stipulated guidelines. The Bank's average LCR as of 31 March 2021 was 259% (31 March 2020 – 201%)

**Liquidity coverage ratio disclosure for the period ended 31 March 2021:**

	31 March 2021	
	Total Unweighted Value (average*)	Total Weighted Value (average*)
	RO'000	RO'000
<b>High quality liquid assets</b>		
1 Total High quality liquid assets (HQLA)		725,945
<b>Cash outflows</b>		
2 Retail deposits and deposits from small business customers, of which:	625,092	46,535
3 - Stable deposits	319,481	15,974
4 - Less stable deposits	305,611	30,561
5 Unsecured wholesale funding, of which:	1,012,366	445,181
6 - Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7 - Non-operational deposits (all counterparties)	1,012,366	445,181
8 - Unsecured debt	-	-
9 Secured wholesale funding		-
10 Additional requirements, of which	62,612	6,170
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	62,612	6,170
14 Other contractual funding obligations	79,389	79,389
15 Other contingent funding obligations	1,136,535	56,827
<b>16 Total cash outflows (2+5+10+15)</b>		634,101
<b>Cash inflows</b>		
17 Secured lending (e.g. reverse repos)	-	-
18 Inflows from fully performing exposures	293,281	274,810
19 Other cash inflows	79,228	79,228
<b>20 Total cash inflows (17+18+19)</b>	372,509	354,038
<b>21 Total HQLA</b>		725,945
<b>22 Total net cash outflows (16-20)</b>		280,064
<b>23 Liquidity coverage ratio (21/22)</b>		259%

\*simple average of daily observations over the last three month (Jan – Mar 2021).



## Notes to the unaudited interim condensed financial information (continued)

**27 Net Stable Funding Ratio (NSFR)**

Net Stable Funding Ratio (NSFR) is guided by the CBO through circular BM 1147 (Guidelines on NSFR and NSFR disclosures). NSFR ratio is calculated on monthly intervals and reported to the CBO. The standard for NSFR became effective from 1 January 2018 with a minimum ratio of 100%. The Bank's NSFR as of 31 March 2021 was 152% (31 March 2020 – 140%)

**Net Stable Funding Ratio disclosure for the period ended 31 March 2021:**

Available Stable funding (ASF) items		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		RO'000	RO'000	RO'000	RO'000	RO'000
1	Capital:	347,087	-	-	-	347,087
2	Regulatory capital	341,909	-	-	-	341,909
3	Other capital instruments	5,178	-	-	-	5,178
4	Retail deposits and deposits from small business customers	600,843	5,882	9,636	15,473	585,926
5	Stable deposits	314,458	36	59	-	298,826
6	Less stable deposits	286,385	5,846	9,577	15,473	287,100
7	Wholesale funding:	899,899	184,410	77,594	292,873	873,824
8	Operational deposits	84,536	-	-	-	42,268
9	Other wholesale funding	815,363	184,410	77,594	292,873	831,556
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	34,837	31,294	233	2,206	-
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in above categories	34,837	31,294	233	2,206	-
<b>14</b>	<b>Total ASF</b>					<b>1,806,837</b>
<b>Require Stable Funding (RSF) items</b>						
15	Total NSFR high-quality liquid assets (HQLA)					<b>30,845</b>
16	Deposits held at other financial institutions for operational purposes	46,143	-	-	-	23,072
17	Performing loans and securities:	217	577,350	42,098	873,746	1,001,535
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	-	150,151	14,801	-	31,117
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	-	426,060	26,518	764,553	884,232
21	- With a risk weight of less than or equal to 35% under the Basel II Standardised approach for credit risk	-	-	-	38,540	25,051
22	Performing residential mortgages, of which:	-	1,139	779	109,193	60,951
23	- With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	1,139	779	92,296	59,992

## Notes to the unaudited interim condensed financial information (continued)

24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	217	-	-	-	184
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other Assets:	24,449	38,511	233	14,692	77,885
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	-			13,039	13,039
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories	24,449	25,472	233	14,692	64,846
32	Off-balance sheet items		634,948	69,936	436,618	57,075
33	TOTAL RSF					1,190,412
34	NET STABLE FUNDING RATIO (%)					152

## Notes to the unaudited interim condensed financial information (continued)

**28 Leverage ratio**

Leverage ratio is guided by the CBO through circular BM 1157 (Guidelines on implementation on Basel III leverage ratio). Leverage ratio is calculated on quarterly intervals and reported to the CBO. The standard for Leverage ratio became effective from 31 December 2018 with a minimum ratio of 4.5%. The Bank's leverage ratio as of 31 March 2021 was 11.0% (31 March 2020 – 10.9%).

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

Item	As at 31.03.2021 RO'000
1 Total consolidated assets as per published financial statements	2,480,344
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	16,595
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)	429,778
7 Other adjustments	(4,517)
<b>8 Leverage ratio exposure</b>	<b>2,922,200</b>

**Table 2: Leverage ratio common disclosure template**

Item	As at 31.03.2021 RO'000
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,480,344
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(4,517)
<b>3 Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of lines 1 and 2)	<b>2,475,827</b>
<b>Derivative Exposures</b>	
4 Replacement cost associated with <i>all</i> derivatives transactions (i.e., net of eligible cash variation margin)	13,910
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	2,685
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)	-
<b>11 Total derivative exposures (sum of lines 4 to 10)</b>	<b>16,595</b>
<b>Securities financing transaction exposures</b>	
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	-
<b>16 Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>-</b>
<b>Other Off-balance sheet exposures</b>	
17 Off-balance sheet exposure at gross notional amount	1,141,501
18 (Adjustments for conversion to credit equivalent amounts)	(711,723)
<b>19 Off-balance sheet items (sum of lines 17 and 18)</b>	<b>429,778</b>
<b>Capital and total exposures</b>	
<b>20 Tier 1 capital</b>	<b>321,015</b>
<b>21 Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>2,922,200</b>
<b>Leverage Ratio</b>	
<b>22 Basel III leverage ratio (%)</b>	<b>11.0</b>

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