

HSBC Bank Oman S.A.O.G.

Interim Condensed Financial Information

30 September 2021



Interim Condensed Financial Information – 30 September 2021

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Presentation of information

This document comprises the Interim Condensed Financial Information – 30 September 2021 for HSBC Bank Oman S.A.O.G. ('HBON') ('the Bank'). It contains Interim Condensed Financial Information (unaudited), together with the Board of Directors' Report, the Auditor's review report and the Summary of Unaudited Results.

Board of Directors' Report for the nine months ended 30 September 2021

Dear Shareholders,

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

Performance Summary

Our year to date performance shows a net profit of RO14.0 M compared with RO0.3 M for the same period in 2020. This has been driven primarily by a favourable movement in the Expected Credit Losses ('ECL') and other credit impairment charges which reflects more optimism in the macro-economic environment coupled with a sustained rise in the oil prices that supports positive sentiment in the region. Whilst there has also been a downward trend in the number of Coronavirus cases and the vaccine roll-out in Oman has made good progress, we will continue to monitor how the situation evolves throughout the remainder of 2021.

Net interest income was down 8.2% to RO38.1 M for the period ended 30 September 2021 compared with RO41.5 M for the same period in 2020. Interest income was impacted negatively by the low interest rate environment, partly offset by lower interest expense. Net fee income increased by 12.9% to RO7.0 M for the period ended 30 September 2021, due to higher fees from account services, cards and advisory.

Net Trading income was down 33.3% to RO4.8 M compared with RO7.2 M for the same period last year, mainly due to lower interest rates and swap volumes.

A net release of RO7.0 M has been reported to the Bank's ECL and other credit impairment charges compared with a net charge of RO19.1 M for the same period last year. The Bank released RO7.6 M of Wholesale ECL, partially offset by a charge in the Retail ECL of RO0.6 M. As explained above, the release reflected an improvement in the economic outlook.

Operating expenses rose by 12.4% to RO39.9 M compared with RO35.5 M for the same period in 2020 primarily due to higher IT related expenses.

Loans and advances to customers increased by 1.0% to RO1,372.3 M compared with RO1,358.5 M as at 30 September 2020.

Customer deposits decreased by 0.5% to RO1,913.9 M compared to the same period last year. Our liquidity remains strong, as evidenced by an Advances to Deposit ratio (ADR) of 71.7% at the end of September 2021.

HBON's Capital Adequacy Ratio (CAR) stood at 21.4% as at 30 September 2021 compared with 21.4% as at 30 September 2020.

Delivering the best customer experience

In Wealth and Personal Banking (WPB) the penetration of digital customers went up by 5% in 3Q 2021 vs 2Q 2021. We have enabled approximately 150 e-processes in the last quarter which continue to produce positive outcomes for our customers, who are increasingly able to fulfil a wider variety of needs through digital channels.

In 3Q 2021, our WPB business momentum has seen improvement with our new to bank customer acquisition higher than in 2Q 2021. Our Premier acquisition was 22% higher versus last quarter and our Advance acquisition increased by 34% versus the last quarter.

In line with HSBC Group's sustainable finance agenda, we launched Green Personal Loans in 3Q offering our customers the ability to borrow for a short term at low rates to purchase solar panel equipment for their homes.

In the Wholesale business, HSBC Bank Oman was named the Best Investment Bank in Oman for the second consecutive year at the 2021 Euromoney Middle East Awards for Excellence.

HSBC collected a total of five awards including the Middle East's Best Bank for Sustainable Finance and the Middle East's Best Bank for Transaction Services.

Being acknowledged as the Best Investment Bank in Oman is clear recognition of our strength to support Omani clients seeking access to global opportunities and products and our ability to be able to present business opportunities in Oman which attract international investors to the Sultanate.

Cyclone Shaheen Relief Measures

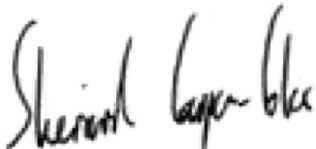
We are working closely with the Central Bank of Oman and the other local banks to provide the much needed financial assistance to impacted families.

We have also launched a donation drive to enable our staff to contribute in kind donations which have been delivered by staff volunteers to impacted families in the North Al Batinah region.

Conclusion

Finally, I would like to express my thanks and appreciation to all of 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 nine month period ended 30 September 2021

	30 September 2021 RO'000	30 September 2020 RO'000	Change (%)
Loans and advances to customers – net	1,372,280	1,358,505	1.0%
Customer deposits	1,913,918	1,923,248	(0.5%)
Net assets	341,036	336,745	1.3%
*Net assets per share	0.170	0.168	1.2%

	Nine month period ended 30 September 2021 RO'000	Nine month period ended 30 September 2020 RO'000	Change (%)
Net interest income	38,061	41,540	(8.4%)
Profit for the period	13,969	304	4,495.1%
**Earnings per share (annualised)	0.009	-	0.0%
***Capital adequacy ratio (CAR)	21.39%	21.35%	0.04%

* Net assets (book value) per share is calculated by dividing the net assets (book value) at 30 September by the number of ordinary shares in issue at 30 September.

** Earnings per share (annualised) has been calculated by dividing the annualised net profit after tax attributable to ordinary shareholders for the period ended 30 September 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 interim condensed statement of financial position of HSBC Bank Oman SAOG as at 30 September 2021 and the related interim condensed statement of comprehensive income for the three-month and nine-month periods then ended, and interim condensed statements of changes in equity and cash flows for the nine-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
31 October 2021



Interim condensed statement of comprehensive income for the three month and nine month periods ended 30 September 2021 (unaudited)

		Three month period ended 30 September 2021	Three month period ended 30 September 2020	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020
	Notes	RO'000	RO'000	RO'000	RO'000
Interest income	3	17,021	17,266	49,626	53,924
Interest expense	4	(3,861)	(3,209)	(11,565)	(12,384)
Net interest income		13,160	14,057	38,061	41,540
Fee income		3,162	2,708	9,611	8,687
Fee expense		(873)	(818)	(2,573)	(2,535)
Net fee income		2,289	1,890	7,038	6,152
Net trading income		1,405	1,744	4,766	7,176
Changes in fair value of financial investments measured at fair value through profit and loss (FVTPL)		-	105	-	(75)
Dividend income		-	-	3	11
Other operating income – net		(98)	(1)	36	(29)
Net operating income before loan impairment charges and other credit risk provisions		16,756	17,795	49,904	54,775
Change in expected credit losses and other credit impairment charges - net	5	1,281	(1,765)	6,968	(19,072)
Net operating income		18,037	16,030	56,872	35,703
Employee compensation and benefits		(5,547)	(5,651)	(17,208)	(16,798)
General and administrative expenses	6	(7,213)	(5,428)	(20,987)	(16,263)
Depreciation and impairment of property, equipment and right-of-use assets		(459)	(637)	(1,752)	(1,910)
Amortisation of intangible assets	7	-	(199)	-	(526)
Total operating expenses		(13,219)	(11,915)	(39,947)	(35,497)
Profit before tax		4,818	4,115	16,925	206
Tax expense		(884)	(610)	(2,956)	98
Profit for the period		3,934	3,505	13,969	304
Other comprehensive income / (loss)					
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Debt instruments at fair value through other comprehensive income					
-Fair value (loss) / gain		277	1,122	(323)	979
-Expected credit losses recognised in income statement		(29)	243	(145)	1,020
-Income tax		(41)	(168)	49	(147)
Other comprehensive (loss) / income for the period - net of tax		207	1,197	(419)	1,852
Total comprehensive income for the period		4,141	4,702	13,550	2,156
Earnings per share – basic and diluted	8				
-for the period (RO)		0.002	0.002	0.007	0.000
-annualised (RO)		0.008	0.007	0.009	0.000

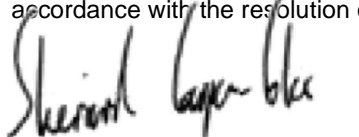
The accompanying notes form an integral part of this interim condensed financial information.

Interim condensed statement of financial position as at 30 September 2021 (unaudited)

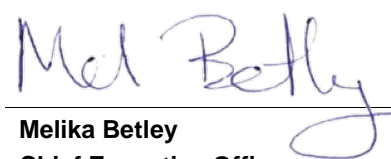
		At 30 September 2021	At 30 September 2020	Audited At 31 December 2020
	Notes	RO'000	RO'000	RO'000
Assets				
Cash and balances with central banks		166,418	420,714	220,485
Due from banks		172,812	240,949	227,448
Loans and advances to customers - net	9	1,372,280	1,358,505	1,363,582
Financial investments	10	599,876	267,360	483,569
Derivatives		9,801	10,805	10,569
Other assets	11	26,872	30,204	26,041
Intangible assets	12	-	2,393	-
Property and equipment	13	19,772	24,790	19,488
Deferred tax assets		4,296	1,991	4,405
Total assets		2,372,127	2,357,711	2,355,587
Liabilities and equity				
Liabilities				
Due to banks		65,304	43,444	63,774
Deposits from customers	14	1,913,918	1,923,248	1,905,771
Derivatives		746	64	4,337
Other liabilities	15	44,645	51,762	50,017
Current tax liabilities		6,478	2,448	4,202
Total liabilities		2,031,091	2,020,966	2,028,101
Equity				
Share capital	20	200,031	200,031	200,031
Legal reserve	21(a)	45,944	45,944	45,944
Fair value through other comprehensive income (FVOCI) reserve	21(b)	1,270	2,469	1,689
Retained earnings		93,791	88,301	79,822
Net equity		341,036	336,745	327,486
Total liabilities and equity		2,372,127	2,357,711	2,355,587
Off-balance sheet items:				
Contingent liabilities and commitments				
Documentary credits		69,474	43,983	82,622
Guarantees and performance bonds		464,602	524,415	510,843
Others	16	881,262	893,473	1,001,567
		1,415,338	1,461,871	1,595,032

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

The interim condensed financial information were authorised for issue on 31 October 2021 in accordance with the resolution of the Board of Directors.



Sir Sherard Cowper-Coles
Chairman



Melika Betley
Chief Executive Officer

Interim condensed statement of changes in equity for the nine month period ended 30 September 2021 (unaudited)

	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 for the period					
Profit for the period	-	-	-	304	304
Other comprehensive income for the period					
Net movement in fair value of debt instruments carried at FVOCI (net of tax)	-	-	1,852	-	1,852
Total other comprehensive income for the period	-	-	1,852	-	1,852
Total comprehensive income for the period	-	-	1,852	304	2,156
Transaction with shareholders, recorded directly in equity					
Dividend for 2019	-	-	-	(17,403)	(17,403)
At 30 September 2020	200,031	45,944	2,469	88,301	336,745
At 1 January 2021	200,031	45,944	1,689	79,822	327,486
Total comprehensive income for the period					
Profit for the period	-	-	-	13,969	13,969
Other comprehensive loss for the period	-	-	-	-	-
Net movement in fair value of debt instruments carried at FVOCI (net of tax)	-	-	(419)	-	(419)
Total other comprehensive loss for the period	-	-	(419)	-	(419)
Total comprehensive (loss) / income for the period	-	-	(419)	13,969	13,550
Transaction with shareholders, recorded directly in equity					
Dividend for 2020	-	-	-	-	-
At 30 September 2021	200,031	45,944	1,270	93,791	341,036

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

Interim condensed statement of cash flows for the nine month period ended 30 September 2021 (unaudited)

		Nine month period ended 30 September 2021	Nine month period ended 30 September 2020
	<i>Notes</i>	RO'000	RO'000
Cash flows from operating activities			
Profit before tax		16,925	206
Adjustments for:			
-non-cash items included in profit before tax	25(a)	(5,261)	21,667
-change in operating assets	25(b)	(2,639)	129,247
-change in operating liabilities	25(c)	(900)	(160,519)
-tax paid		(522)	(5,240)
-retirement benefits paid		(95)	(22)
Net cash generated from / (used in) operating activities		7,508	(14,661)
Cash flows from investing activities			
Purchase of financial investments		(74,940)	(127,820)
Proceeds from maturity of financial investments		156	180,869
Purchase of property , equipment and software	13	(1,329)	(3,431)
Net cash (used in) / generated from investing activities		(76,113)	49,618
Cash flows used in financing activities			
Dividends paid		-	(17,403)
Net change in cash and cash equivalents		(68,605)	17,554
Cash and cash equivalents at the beginning of the period		799,707	797,388
Cash and cash equivalents at the end of the period	25(d)	731,102	814,942

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 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 and the valuation of financial instruments.

(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.

A number of other new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022. None of these are expected to have a significant effect on the interim condensed financial information 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 and risk management objectives 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 except for those matters described in note 9.

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

3 Interest income

Interest bearing assets earned interest at an overall annualised rate of 3.14% for the nine month period ended 30 September 2021 (30 September 2020 – 3.54%).

	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020
	RO'000	RO'000
Loans and advances to customers	43,130	47,937
Financial investments	3,791	3,159
Due from banks	406	935
Others	2,299	1,893
Total	49,626	53,924

4 Interest expense

For the nine month period ended 30 September 2020, the average overall annualised cost of funds was 0.78% (30 September 2020 – 0.81%).

	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020
	RO'000	RO'000
Deposits from customers	(11,155)	(12,071)
Due to banks	(254)	(160)
Others	(156)	(153)
Total	(11,565)	(12,384)

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

	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020
	RO'000	RO'000
Loans and advances to customer (note 9)	4,921	(16,869)
Due from banks	144	(209)
Loan commitment and guarantees	1,643	(702)
Other financial assets	115	(272)
Financial investments at FVOCI	145	(1,020)
Total	6,968	(19,072)

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

6 General and administrative expenses

	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020
	RO'000	RO'000
Marketing and advertising*	(1,016)	(1,183)
Premises and equipment	(2,397)	(2,005)
Communications	(563)	(331)
Insurance	(834)	(810)
Other administrative expense	(16,177)	(11,934)
Total	(20,987)	(16,263)

*Marketing and advertising expenses for the current period include the RO0.7 M of "Mandoos Prize" draw expenses (30 September 2020: RO0.9 M).

7 Amortisation of intangible assets

	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020
	RO'000	RO'000
Software	-	(526)

8 Earnings / (loss) per share – basic and diluted

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

	Nine month period ended 30 September 2021	Nine month period ended 30 September 2020	Year ended 31 December 2020
Weighted average number of shares in issue ('000)	2,000,312	2,000,312	2,000,312
Profit / (loss) for the period / year (RO'000)	13,969	304	(8,211)
Earnings / (loss) per share – basic and diluted (RO)			
- for the period / year	0.007	-	(0.004)
- annualised	0.009	-	(0.004)

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

9 Loans and advances to customers - net

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Overdrafts	140,504	165,081	157,030
Credit cards	30,319	26,332	27,809
Loans	1,174,854	1,146,930	1,168,280
Clean import loans	67,900	79,459	65,834
Bills discounted / purchased	14,250	7,382	10,717
Gross loans and advances	1,427,827	1,425,184	1,429,670
Allowances for ECL	(42,199)	(54,015)	(52,672)
Reserved interest*	(13,348)	(12,664)	(13,416)
Loans and advances (net)	1,372,280	1,358,505	1,363,582

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

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

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
At 1 January	52,672	38,776	38,776
Net remeasurement of ECL arising from transfer of stage	(18)	642	1,338
Net new lending and changes to risk parameters	(2,326)	17,936	17,160
Assets written off	(8,129)	(3,339)	(4,602)
At 30 September / 31 December	42,199	54,015	52,672
ECL release / (charge) for the period / year	2,344	(18,578)	(18,498)
Recoveries	2,577	1,709	3,320
Total ECL release / (charge) for the period / year	4,921	(16,869)	(15,178)

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.

The development of Covid-19 vaccines has raised hopes of widespread immunisation being achieved across countries and government restrictions being lifted. Whilst there has been a downward trend in the number of Coronavirus cases and the vaccine roll-out in Oman has made good progress, the Bank will continue to monitor the situation throughout the remainder of 2021.

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

The outbreak has also resulted in changes in the behaviors 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. The outlook for ECL is highly uncertain and remains dependent on the future path of the Covid-19 outbreak, including the successful deployment of vaccination programmes, and the credit quality of our loan portfolio when government stimulus and support will be withdrawn.

Management judgmental adjustments

The significant changes in economic and market drivers, customer behaviours and government actions caused by Covid-19 have impacted the performance of financial models used to calculate ECL. This has required more ongoing monitoring and testing, the recalibration of some models and it has also resulted in management judgmental adjustments made to our ECL provisions. There is a risk that future actual results may differ from such judgments and assumptions.

At 30 September 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. The Bank has 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, the Bank continues to anticipate significant management judgemental adjustments for the foreseeable future in 2021.

The Bank has adopted the use of multiple economic scenarios to reflect the assumptions about future economic conditions starting with three economic scenarios, based on consensus forecast distributions, supplemented by alternative or additional economic scenarios and / or management adjustments where, in management's judgement, the consensus forecast distribution does not adequately cover the relevant risks. The key economic assumptions used to calculate the ECL are GDP growth and oil price (the key economic assumptions as at 31 December 2020 were GDP growth, oil price and UAE fixed investment).

In light of the current uncertain economic environment, an alternative Downside scenario ('Additional Downside') has been included and the scenario weighting has been re-assessed to reflect management's view of extreme risks. Central scenario has been assigned a weighting of 70%, the Downside scenario 20% and the Upside and Additional Downside 5% each (the weights of the economic scenarios as at 31 December 2020 were 70% for the Central scenario, 20% for the Downside scenario and 5% for each of the Upside and Additional Downside scenarios), according to the decision of the Bank's management. 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 nine month period ended is analysed below:

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Balance at the beginning of the period / year	13,416	41,952	41,952
Reserved during the period / year	2,259	2,536	3,394
		(353)	
Released to the statement of comprehensive income	(467)		(438)
		(31,471)	
Written off during the period / year	(1,860)		(31,492)
Balance at the end of the period / year	13,348	12,664	13,416

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

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

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
0-5%	1,040,435	1,021,056	1,010,483
5-7%	325,484	341,912	357,767
7-10%	20,430	28,178	26,567
10-13%	2,160	3,804	3,381
More than 13%	39,318	30,234	31,472
Total	1,427,827	1,425,184	1,429,670

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

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
0-6 months	353,832	312,916	307,772
6-12 months	80,495	35,114	35,027
1-3 years	226,863	263,807	283,756
3-5 years	270,037	140,585	174,453
More than 5 years	441,053	606,083	562,574
Total	1,372,280	1,358,505	1,363,582

Concentration of loans and advances:

Loans and advances to customers by industry sector

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Personal and consumer loans	443,461	464,552	448,877
Corporate and commercial			
Import trade	136,720	128,146	137,007
Construction	77,467	80,336	81,835
Manufacturing	172,169	191,440	169,992
Wholesale and retail trade	68,674	64,662	60,988
Electricity, gas, water, transportation and communication	66,510	72,535	94,288
Services	103,974	110,874	113,743
Mining and quarrying	62,427	41,240	40,278
Others	295,925	271,355	282,662
	983,866	960,588	980,793
Financial Institutions	500	44	-
Total gross loans and advances	1,427,827	1,425,184	1,429,670
ECL Allowances	(42,199)	(54,015)	(52,672)
Reserved interest	(13,348)	(12,664)	(13,416)
Net loans and advances	1,372,280	1,358,505	1,363,582
Non-performing loans (NPL)	42,824	47,721	50,587

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

As of 30 September 2021	As per CBO norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss (charged) / released to profit and loss account	3,166	6,968	3,802
Provisions required*	38,285	46,116	7,831
Gross NPL ratio (percentage)	3.00%	3.00%	-
Net NPL ratio (percentage)	0.69%	0.66%	(0.03)%

*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 interim condensed financial information (unaudited) (continued)

Comparison of provision held as per IFRS 9 and provision required as per CBO norms (as per CBO illustrative disclosure) as of 30 September 2021

Assets classification as per CBO Norms (1)	Assets classification as per IFRS 9 (2)	Gross carrying amount (3) RO'000	Provision required as per CBO Norms (4) RO'000	Provisions held as per IFRS 9 (5) RO'000	Difference between CBO provision required and provision held (6)=(4)-(5)	Net carrying amount (7)=(3)-(5) RO'000	Reserve interest as per CBO norms (8)
					RO'000		RO'000
Standard	Stage 1	716,742	10,256	7,342	2,914	709,400	357
	Stage 2	651,728	6,624	11,440	(4,816)	640,288	817
	Stage 3	-	-	-	-	-	-
		1,368,470	16,880	18,782	(1,902)	1,349,688	1,174
Special mention	Stage 1	6	-	1	(1)	5	-
	Stage 2	15,256	155	1,482	(1,327)	13,774	9
	Stage 3	1,274	250	265	(15)	1,009	20
		16,536	405	1,748	(1,343)	14,788	29
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	1,644	411	820	(409)	824	85
		1,644	411	820	(409)	824	85
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	132	64	108	(44)	24	9
		132	64	108	(44)	24	9
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	41,048	20,525	20,741	(216)	20,307	12,050
		41,048	20,525	20,741	(216)	20,307	12,050
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,187,245	-	1,135	(1,135)	1,186,110	-
	Stage 2	431,595	-	2,545	(2,545)	429,050	-
	Stage 3	1,573	-	237	(237)	1,336	-
		1,620,413	-	3,917	(3,917)	1,616,496	-
Total	Stage 1	1,903,993	10,256	8,478	1,778	1,895,515	357
	Stage 2	1,098,579	6,779	15,467	(8,688)	1,083,112	826
	Stage 3	45,671	21,250	22,171	(921)	23,500	12,164
	Total	3,048,243	38,285	46,116	(7,831)	3,002,127	13,347

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

Comparison of provision held as per IFRS 9 and provision required as per CBO norms (as per CBO illustrative disclosure) as of 31 December 2020

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 amount as per IFRS 9 (7) = (3)-(5)	Reserve interest as per CBO norms (8)
	Stage 1	2,023,703	11,477	9,839	1,638	2,013,864	139
	Stage 2	998,003	5,592	21,604	(16,012)	976,399	968
	Stage 3	52,892	24,382	27,198	(2,816)	25,694	12,309
Total		3,074,598	41,451	58,641	(17,190)	3,015,957	13,416

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

Restructured loans and advances (as per CBO illustrative disclosure) as of 30 September 2021

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provisions held as per IFRS 9	Difference between CBO provision required and provision held	Net carrying amount	Reserve interest as per CBO norms
	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
(1)							
	Stage 1	42,263	423	916	(493)	41,347	-
	Stage 2	35,003	350	1,391	(1,041)	33,612	-
Classified as performing	Stage 3	1,280	250	265	(15)	1,015	20
Sub Total		78,546	1,023	2,572	(1,549)	75,974	20
	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
Classified as non-performing	Stage 3	16,842	10,841	10,088	753	6,754	905
		16,842	10,841	10,088	753	6,754	905
	Stage 1	42,263	423	916	(493)	41,347	-
	Stage 2	35,003	350	1,391	(1,041)	33,612	-
	Stage 3	18,122	11,091	10,353	738	7,769	925
Total	Total	95,388	11,864	12,660	(796)	82,728	925

Restructured loans and advances (as per CBO illustrative disclosure) as of 31 December 2020

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provisions held as per IFRS 9	Difference between CBO provision required and provision held	Net carrying amount	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	Stage 1	1,277	13	15	(2)	1,262	-
	Stage 2	37,624	376	1,671	(1,295)	35,953	-
	Stage 3	17,289	10,095	10,858	(763)	6,431	652
Total		56,190	10,484	12,544	(2,060)	43,646	652

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Notes to the interim condensed financial information (unaudited) (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
	30	30	31	30	30	31	30	30	31
	September	September	December	September	September	December	September	September	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
Marketable securities – MSX									
Government bonds	77,547	68,327	67,670	77,547	68,327	67,670	76,819	66,741	66,617
Unquoted and other investments									
Treasury bills**	522,112	196,723	415,547	522,112	196,723	415,547	522,081	196,720	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	-	2,043	135	-	2,043	135	-	2,879	107
	522,329	199,033	415,899	522,329	199,033	415,899	522,348	199,866	415,889
Total	599,876	267,360	483,569	599,876	267,360	483,569	599,167	266,607	482,506

*ECL allowance on financial investments amounting to RO0.7 M (30 September 2020: RO1.1 M and 31 December 2020: RO0.8 M) has been recorded.

**These include the foreign quoted treasury bills of RO182.5 M (30 September 2020: RO156.7 M and 31 December 2020: RO225.6 M)

Carrying amount of financial investments

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Financial investments measured at fair value through other comprehensive income			
Treasury bills	522,112	196,723	415,547
Government bonds	77,547	68,327	67,670
Other investments	200	250	200
	599,859	265,300	483,417
Financial investments measured at fair value through profit or loss			
Equity investments	17	2,060	152
Total	599,876	267,360	483,569

11 Other assets

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Acceptances	21,612	22,597	22,149
ECL on acceptances	(106)	(168)	(167)
Acceptances (net of ECL)	21,506	22,429	21,982
Prepayments and accrued income	629	340	408
Right-of-use assets	2,785	3,090	3,180
Others	1,952	4,345	471
Total	26,872	30,204	26,041

12 Intangible assets

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Softwares	-	3,594	5,025
Less: amortised	-	(1,201)	(1,227)
Less: Impairment	-	-	(3,798)
Total	-	2,393	-

13 Property and equipment

RO1.3 M of property and equipment were added during the period (30 September 2020: RO2.1 M). Property and equipment disposed of during the period was RO0.5 M (30 September 2020:1.8 M).

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

14 Deposits from customers

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Deposits details are as follows:			
Current and call	995,386	1,008,526	893,758
Savings	409,178	420,325	416,286
Time deposits	505,201	489,759	591,533
Others	4,153	4,638	4,194
Total	1,913,918	1,923,248	1,905,771

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

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
0-6 months	717,542	710,899	728,807
6-12 months	257,768	267,566	264,116
1-3 years	385,636	201,124	167,115
3-5 years	169,365	376,121	391,609
Over 5 years	383,607	367,538	354,124
Total	1,913,918	1,923,248	1,905,771

The interest rate bands of deposits are as follows:

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
0-2%	1,499,304	1,529,866	1,492,910
2-5%	414,614	393,382	412,861
Total	1,913,918	1,923,248	1,905,771

15 Other liabilities

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Retirement benefit liability	1,455	1,440	1,389
Obligations under finance leases	2,857	2,390	3,208
Acceptances	21,612	22,597	22,149
Provisions	395	479	446
ECL on off balance sheet exposure and other commitments	2,935	3,457	4,580
Accruals and deferred income	5,277	4,367	4,973
Others	10,114	17,032	13,272
Total	44,645	51,762	50,017

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

16 Contingent liabilities, commitments and derivatives

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
Undrawn unconditionally cancellable commitments*	480,512	565,371	522,150
Undrawn unconditionally non-cancellable commitments	86,913	70,376	61,438
Forward foreign exchange contracts	90,922	88,326	195,064
Interest rate swaps	222,915	169,400	222,915
	881,262	893,473	1,001,567

*Undrawn unconditionally cancellable commitments of RO125.6 M (31 December 2020: RO 98 M) are considered as part of loan commitments for IFRS 9.

As at 30 September 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.

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

The fair values of derivatives and certain financial investments have determined using the following hierarchy of valuation levels.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category included all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

The table below analyses financial instruments carried at fair value, by using valuation techniques.

	Valuation techniques		
	Level 1	Level 2	Total
	RO'000	RO'000	RO'000
At 30 September 2021			
Assets			
Derivatives	-	9,801	9,801
Financial investments at fair value through other comprehensive income	182,465	417,394	599,859
Financial investments at fair value through profit or loss	-	17	17
Liabilities			
Derivatives	-	746	746
Deposits from customers	-	237,361	237,361
At 30 September 2020			
Assets			
Derivatives	-	10,805	10,805
Financial investments at fair value through other comprehensive income	156,745	108,555	265,300
Financial investments at fair value through profit or loss	-	2,060	2,060
Liabilities			
Derivatives	-	64	64
Deposits from customers	-	177,278	177,278
At 31 December 2020			
Assets			
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
Liabilities			
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 interim condensed financial information (unaudited) (continued)

Interbank Offered Rates ('IBOR') transition

Throughout the year of 2021, the bank has continued its efforts to provide the capability to offer new near risk-free rate ('RFR') products, and subsequently actively offer customers the ability to transition from Libor based products. Given that the administrator of Libor, International Benchmark Administrator ('IBA'), has confirmed the extension of the publication date of most US dollar Libor tenors until 30 September 2023, the Bank is focused on active transition away from those demising by 1 January 2022.

All of our businesses actively developed and implemented system and operational capabilities for the majority of alternative rates, such as base or prime rates, and RFR products during the year 2020 and 2021. As a result, lbor exposures that have post-2021 maturities continue to reduce, aided by market compression of lbor trades, and undertaking all new transactions in alternative rate and replacement RFR products, as market liquidity builds.

Transition discussions are actively occurring with clients and we will be led by their level of readiness, which is being tracked to ensure adequate planning for operational activities occurring in second half of 2021. Whilst contractual repapering and rebooking activities will be managed accordingly, as well as any requirements to invoke contractual fallback provisions, legislative solutions may still be required to allow for a smooth transition.

All post 2021 refinancing for demising lbors is offered on alternative rates products, and the bank has adhered to the industry milestones related to cessation of new lbor loan issuance.

Financial instruments impacted by lbor reform:

	Financial instruments yet to transition to alternative benchmarks, by main benchmark			
	USD Libor	GBP Libor	JPY Libor	Others
At 30 September 2021	RO'000	RO'000	RO'000	RO'000
Non-derivative financial assets	214,774	-	-	-
Derivative notional contract amount	134,750	-	-	-

	Financial instruments yet to transition to alternative benchmarks, by main benchmark			
	USD Libor	GBP Libor	JPY Libor	Others
At 31 December 2020	RO'000	RO'000	RO'000	RO'000
Non-derivative financial assets	224,044	-	-	-
Derivative notional contract amount	169,015	-	-	-

The amounts in the above table provide an indication of the extent of the Bank's exposure to the lbor benchmarks which are due to be replaced. Amounts are in respect of the financial instruments that:

- contractually reference an interest rate benchmark that is planned to transition to an alternative benchmark;
- have a contractual maturity date beyond the date by which the reference interest rate benchmark expected to cease; and
- are recognised on the Bank's consolidated balance sheet

In March 2021, the administrator of Libor, IBA, announced that the publication date of most US dollar Libor tenors is extended from 31 December 2021 to 30 September 2023. Publication of one-week and two-month tenors will cease after 31 December 2021. This change reduces the amounts presented at 30 September 2021 in the above table as some financial instruments included at 31 December 2020 will reach their contractual maturity date prior to the extended publication dates (Comparative data have not been re-presented).

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

18 Asset liability mismatch

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

Maturities	30 September 2021			30 September 2020			31 December 2020		
	Liabilities			Liabilities			Liabilities		
	Assets	and equity	Mismatch	Assets	and equity	Mismatch	Assets	and equity	Mismatch
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
0-6 months	1,218,767	830,771	387,996	1,181,859	804,773	377,086	1,161,003	845,501	315,502
6-12 months	89,496	272,745	(183,249)	43,349	268,258	(224,909)	58,902	256,961	(198,059)
1-3 years	270,606	385,636	(115,030)	284,366	201,124	83,242	303,520	167,115	136,405
3-5 years	300,258	169,365	130,893	184,341	376,121	(191,780)	219,045	391,609	(172,564)
more than 5 years	493,000	713,610	(220,610)	663,796	707,435	(43,639)	613,117	694,401	(81,284)
Total	2,372,127	2,372,127	-	2,357,711	2,357,711	-	2,355,587	2,355,587	-

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

19 Exposure to credit risk

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

	30 September 2021		30 September 2020		31 December 2020	
	Gross carrying /nominal amount (net of reserved interest) RO'000	Allowance for ECL RO'000	Gross carrying /nominal amount (net of reserved interest) RO'000	Allowance for ECL RO'000	Gross carrying /nominal amount (net of reserved interest) RO'000	Allowance for ECL RO'000
Cash and balances with central bank	166,598	(180)	421,081	(367)	220,726	(241)
Due from banks	172,840	(28)	241,202	(253)	227,618	(170)
Loans and advances to customers						
-WPB	441,981	(9,139)	463,185	(9,970)	447,429	(9,570)
-Wholesale	972,498	(33,059)	949,335	(44,045)	968,825	(43,102)
Other assets	21,612	(107)	22,597	(168)	22,149	(167)
Total gross carrying amount on balance sheet	1,775,529	(42,513)	2,097,400	(54,803)	1,886,747	(53,250)
Loans and other credit related commitments	659,705	(2,935)	654,682	(3,457)	691,218	(4,580)
Total nominal amount off balance sheet	659,705	(2,935)	654,682	(3,457)	691,218	(4,580)
	Fair Value RO'000	Memorandum allowance for ECL RO'000	Fair Value RO'000	Memorandum allowance for ECL RO'000	Fair Value RO'000	Memorandum allowance for ECL RO'000
Financial investments at FVOCI	599,659	(667)	265,050	(1,119)	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 (30 September 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 (30 September 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:

	30 September 2021	30 September 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 interim condensed financial information (unaudited) (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 services organizations, the Bank 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 RO'000	Other related group entities RO'000	Directors RO'000	Others RO'000	Total RO'000
30 September 2021					
Loans and advances	-	-	547	93,580	94,127
Current, deposit and other accounts	-	4,322	454	12,917	17,693
Letters of credit and guarantees	-	160,713	-	7,321	168,034
Acceptances	-	-	-	207	207
Due from banks	-	40,540	-	-	40,540
Due to banks*	-	16,365	-	-	16,365
Collateral received	-	56,536	-	-	56,536
For the period ended 30 September 2021					
Net fee income**	-	(179)	-	-	(179)
Other operating expenses	-	(13,547)	(23)	(458)	(14,028)

*Due to banks includes Vostro balances of RO13.9 M from HSBC affiliates and accrual of RO2.4 M for the expenses payable to HSBC Affiliates as of 30 September 2021.

**Net fee income includes fee expenses of RO0.4 M incurred for the indemnity received as a collateral from HSBC affiliates.

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

	Parent entity RO'000	Other related group entities RO'000	Directors RO'000	Others RO'000	Total RO'000
30 September 2020					
Loans and advances	-	-	342	104,028	104,370
Current, deposit and other accounts	-	2,886	454	18,562	21,902
Letters of credit and guarantees	-	147,148	-	11,626	158,774
Acceptances	-	-	-	801	801
Due from banks	-	53,761	-	-	53,761
Due to banks*	-	21,708	-	-	21,708
Collateral received	-	94,888	-	-	94,888
For the period ended 30 September 2020					
Net fee income**	-	(356)	-	-	(356)
Other operating expenses	-	(10,904)	(15)	(916)	(11,835)
Purchase of property and equipment	-	-	-	(5)	(5)

*Due to banks includes Vostro balances of RO 18.9 M from HSBC affiliates and accrual of RO 2.7 M for the expenses payable to HSBC Affiliates as of 30 September 2020.

**Net fee income includes fee expenses of RO 0.6 M incurred for the indemnity received as a collateral from HSBC affiliates.

	Parent entity RO'000	Other related group entities RO'000	Directors RO'000	Others RO'000	Total RO'000
As at 31 December 2020					
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.

	30 September 2021 RO'000	30 September 2020 RO'000	31 December 2020 RO'000
Purchase of loans and advances	48,125	-	-
Sale of loans and advances	-	127,820	127,820
Fees paid in lieu of deposit raising activities	-	582	582

Related party loans and advances bear interest at rates between 3% p.a. and 7% p.a. (30 September 2020: between 4.7% p.a. and 5.2% p.a.). Related party deposits bear interest at rates between 0.1% p.a. and 0.65% p.a. (30 September 2020: between 0.7% p.a. and 1% p.a.).

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

Compensation of key management personnel

	Nine month period ended 30 September 2021	\Nine month period ended 30 September 2020
	RO'000	RO'000
Wages, salaries and other short term benefits	1,123	1,342
Post-employment benefits	73	69
Total	1,196	1,411

23 Operating segments

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

	30 September 2021				
	CMB	WPB	GB&M	Corporate center	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income					
- External	10,460	18,594	9,185	(178)	38,061
- Internal	958	1,658	(2,779)	163	-
	11,418	20,252	6,406	(15)	38,061
Net fee income	2,246	2,125	2,777	(110)	7,038
Net trading income	1,161	1,097	2,508	-	4,766
Other operating income - net	131	(9)	(99)	16	39
Total operating income	14,956	23,465	11,592	(109)	49,904
Change in expected credit losses and other credit impairment charges	2,834	(534)	4,668	-	6,968
Net operating income	17,790	22,931	16,260	(109)	56,872
Total operating expenses	(8,701)	(22,692)	(5,251)	(3,303)	(39,947)
Profit / (loss) before tax	9,089	239	11,009	(3,412)	16,925
Reportable segment assets	1,047,350	636,409	586,318	102,050	2,372,127
Reportable segment liabilities	874,950	611,504	522,435	22,202	2,031,091
	31 December 2020				
	CMB	WPB	GB&M	Corporate center	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Reportable segment assets	1,082,064	626,057	541,313	106,153	2,355,587
Reportable segment liabilities	1,003,946	620,588	381,316	22,251	2,028,101

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

	30 September 2020				
	CMB	WPB	GB&M	Corporate centre	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income					
- External	8,892	20,630	12,317	(299)	41,540
- Internal	3,161	1,024	(4,258)	73	-
	12,053	21,654	8,059	(226)	41,540
Net fee income	1,872	2,043	2,347	(110)	6,152
Net trading income	2,466	1,621	3,089	-	7,176
Changes in fair value of financial investments measured at fair value through profit and loss	-	-	-	(75)	(75)
Other operating income - net	(18)	(30)	(16)	46	(18)
Total operating income	16,373	25,288	13,479	(365)	54,775
Change in expected credit losses and other credit impairment charges	(5,399)	(3,910)	(9,763)	-	(19,072)
Net operating income	10,974	21,378	3,716	(365)	35,703
Total operating expenses	(8,431)	(21,930)	(4,861)	(275)	(35,497)
Profit before tax	2,543	(552)	(1,145)	(640)	206
Reportable segment assets	1,091,072	640,007	501,364	125,268	2,357,711
Reportable segment liabilities	976,533	633,738	389,442	21,253	2,020,966

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 2021 (30 September 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 of 2020 to be added back 100% in 2020 and same will be phase-out by 2024 (i.e. 80% for the year 2021).

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
CET 1 / Tier 1 capital	321,260	325,102	321,072
Tier 2 capital (T2)	12,008	24,003	22,600
Total regulatory capital	333,268	349,105	343,672
Risk-weighted assets	1,557,709	1,635,138	1,647,748
CET 1 / Tier 1 capital ratio	20.62%	19.88%	19.49%
Total capital ratio	21.39%	21.35%	20.86%

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

If the bank would not have applied the prudential filter as explained above, the Capital adequacy ratio for 30 September 2021 works out as below;

	30 September 2021	30 September 2020	31 December 2020
	RO'000	RO'000	RO'000
CET 1 / Tier 1 capital	321,260	325,102	321,072
Tier 2 capital (T2)	11,571	19,587	18,481
Total regulatory capital	332,831	344,689	339,553
Risk-weighted assets	1,557,709	1,635,138	1,647,748
CET 1 / Tier 1 capital ratio	20.62%	19.88%	19.49%
Total capital ratio	21.37%	21.08%	20.61%

25 Cash and cash equivalents

25(a) Non-cash items included in profit before tax Notes	30 September 2021	30 September 2020
	RO'000	RO'000
Changes in fair value of financial investments measured at fair value through profit and loss	10	75
Change in expected credit losses and other credit impairment charges	5	19,072
Depreciation of property and equipment	1,752	1,910
Amortisation of intangible assets	7	526
Amortisation of discount on financial investment	(210)	(107)
Employer's current service cost with interest	161	153
Loss on disposal of property and equipment	4	38
Total	5,261	21,667

25(b) Change in operating assets	30 September 2021	30 September 2020
	RO'000	RO'000
Change in loans and advances to customers-net	(1,875)	125,157
Change in derivatives	-	-
Change in other assets	(764)	4,090
Total	(2,639)	129,247

25(c) Change in operating liabilities	30 September 2021	30 September 2020
	RO'000	RO'000
Change in deposits from customers	8,147	(148,209)
Change in derivatives	-	-
Change in other liabilities	(9,047)	(12,310)
Total	(900)	(160,519)

25(d) The reconciliation of the components of cash and cash equivalents with the equivalent items shown in the interim condensed statement of financial position (unaudited) is shown below:	30 September 2021	30 September 2020
	RO'000	RO'000
Interim condensed statement of financial position (unaudited) comprise:		
Cash and balances with central bank	166,418	420,714
Due from banks	172,812	240,949
Financial investments - original maturities of three months or less	457,176	196,723
Due to banks	(65,304)	(43,444)
Total	731,102	814,942

Notes to the interim condensed financial information (unaudited) (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 30 September 2020: 100%) in accordance with CBO stipulated guidelines. The Bank's average LCR as of 30 September 2021 was 225% (30 September 2020 – 200%)

Liquidity coverage ratio disclosure for the period ended 30 September 2021:

	30 September 2021	
	Total Unweighted Value (average*)	Total Weighted Value (average*)
	RO'000	RO'000
High quality liquid assets		
1 Total High quality liquid assets (HQLA)		645,853
Cash outflows		
Retail deposits and deposits from small business customers, of which:		
2 - Stable deposits	614,345	46,060
3 - Less stable deposits	309,887	15,614
4 Unsecured wholesale funding, of which:	941,858	413,646
5 - Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
6 - Non-operational deposits (all counterparties)	941,858	413,646
7 - Unsecured debt	-	-
8 Secured wholesale funding	-	-
9 Additional requirements, of which	83,244	8,205
10 - Outflows related to derivative exposures and other collateral requirements	-	-
11 - Outflows related to loss of funding on debt products	-	-
12 - Credit and liquidity facilities	83,244	8,205
13 Other cash outflows	39,089	39,089
14 Other contingent funding obligations	1,056,528	52,826
15 Total cash outflows (2+5+10+15)	-	559,826
Cash inflows		
16 Secured lending (e.g. reverse repos)	-	-
17 Inflows from fully performing exposures	246,282	233,028
18 Other cash inflows	39,616	39,616
19 Total cash inflows (17+18+19)	285,898	272,644
20		
21 Total HQLA		645,853
22 Total net cash outflows (16-20)		287,182
23 Liquidity coverage ratio (21/22)		225%

*simple average of daily observations over the last three month (Jul – Sep 2021).

Notes to the interim condensed financial information (unaudited) (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 30 September 2021 was 148.8% (30 September 2020 – 148%)

Net Stable Funding Ratio disclosure for the period ended 30 September 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:	353,043	-	-	-	353,043
2 Regulatory capital	337,805	-	-	-	337,805
3 Other capital instruments	15,238	-	-	-	15,238
4 Retail deposits and deposits from small business customers	575,504	11,290	8,437	9,570	560,427
5 Stable deposits	302,810	86	64	-	287,812
6 Less stable deposits	272,694	11,204	8,373	9,570	272,615
7 Wholesale funding:	923,300	143,557	25,397	282,168	828,294
8 Operational deposits	65,304	-	-	-	32,652
9 Other wholesale funding	857,996	143,557	25,397	282,168	795,642
10 Liabilities with matching interdependent assets					
11 Other liabilities:	28,511	25,791	1,009	4,147	-
12 NSFR derivative liabilities	-	-	-	-	-
13 All other liabilities and equity not included in above categories	28,511	25,791	1,009	4,147	-
14 Total ASF					1,741,764
Require Stable Funding (RSF) items					
15 Total NSFR high-quality liquid assets (HQLA)					29,983
16 Deposits held at other financial institutions for operational purposes	40,462	-	-	-	20,231
17 Performing loans and securities:	217	584,459	70,858	862,066	997,374
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	-	132,377	-	-	19,857
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	-	451,055	69,555	750,878	921,265
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:	-	1,027	1,303	111,188	56,068
23 - With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	1,027	1,303	84,466	54,903

Notes to the interim condensed financial information (unaudited) (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:	25,138	29,658	1,009	12,101	67,906
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	-	-	-	9,055	9,055
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	25,138	20,603	1,009	12,101	58,851
32	Off-balance sheet items	-	621,958	55,758	423,785	55,075
33	TOTAL RSF	-	-	-	-	1,170,569
34	NET STABLE FUNDING RATIO (%)	-	-	-	-	148.80

Notes to the interim condensed financial information (unaudited) (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 30 September 2021 was 11.5% (30 September 2020 – 11.7%)

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

Item	As at 30.09.2021
1 Total consolidated assets as per published financial statements	2,372,127
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	11,459
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)	418,629
7 Other adjustments	(4,296)
8 Leverage ratio exposure	2,797,919

Table 2: Leverage ratio common disclosure template

Item	As at 30.09.2021
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,372,127
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(4,296)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	2,367,831
Derivative Exposures	
4 Replacement cost associated with <i>all</i> derivatives transactions (i.e., net of eligible cash variation margin)	9,801
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	1,658
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)	11,459
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	1,101,500
18 (Adjustments for conversion to credit equivalent amounts)	(682,871)
19 Off-balance sheet items (sum of lines 17 and 18)	418,629
Capital and total exposures	
20 Tier 1 capital	321,190
21 Total exposures (sum of lines 3, 11, 16 and 19)	2,797,919
Leverage Ratio	
22 Basel III leverage ratio (%)	11.5

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