

HSBC Bank Oman S.A.O.G.

Interim Condensed Financial Information

31 March 2022



Interim Condensed Financial Information – 31 March 2022

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Presentation of information

This document comprises the Interim Condensed Financial Information – 31 March 2022 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 three months ended 31 March 2022

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Bank's first Quarter financial results for 2022.

Performance Summary

Our first Quarter performance shows a 25.6% increase in net profit to RO5.4 M compared with RO4.3 M for the same period in 2021. This has been driven mainly by lower operating expenses. The economic environment continues to be challenging despite the improvement in oil prices and the outlook for the Omani economy. A number of countries around the world have started to lift Covid-19 restrictions and reopen borders to immunized travelers, but concern surrounding the spread of variants still persists which may impact the outlook of the global recovery. We will continue to monitor the situation throughout 2022.

Net interest income was up 0.8% to RO12.4 M for the period ended 31 March 2022 compared with RO12.3 M for the same period in 2021 despite the challenging environment. Net fee income was RO2.4 M for the period ended 31 March 2022 compared with RO2.5 M for the same period in 2021 due to lower fees in the trade finance business.

Net trading income was down 5.9% to RO1.6 M compared with RO1.7 M for the same period last year, owing largely to lower interest rates and swap volumes.

A net release of RO2.0 M has been reported to the Bank's ECL and other credit impairment charges compared with a net release of RO2.2 M for the same period last year. The Bank released RO1.9 M of Wholesale ECL and RO0.1 M of Retail ECL. The ECL release was driven by an improvement in the macroeconomic environment variables.

Operating expenses reduced by 11.0% to RO12.1 M compared with RO13.6 M for the same period in 2021 primarily due to lower staff cost and the non-repeat of prior year impairment charges.

Loans and advances to customers decreased by 3.1% to RO1,304.8 M compared with RO1,346.7 M as at 31 March 2021.

Customer deposits decreased by 2.1% to RO1,959.5 M compared to the same period last year. Our liquidity remains strong, as evidenced by an Advances to Deposit ratio (ADR) of 66.6% at the end of March 2022.

HBON's Capital Adequacy Ratio (CAR) stood at 21.7% as at 31 March 2022 compared with 20.9% as at 31 March 2021.

Delivering the best customer experience

In Wealth and Personal Banking (WPB), the first quarter of 2022 has seen significant business momentum. We launched a new to bank customer acquisition campaign in January 2022 offering all Premier and Advance new to bank clients an upfront cash back reward. The campaign was supported by our Employee Banking Solutions program, where we held around 420 virtual meetings and 20 open days with our top corporate employers in order to gain wallet share and grow our business from our top 120 employers.

Our performance on lending continued a positive trend in the first quarter of the year driven by competitive pricing on loans and mortgages, and higher productivity from our sales staff.

Our International Banking Services team enabled more than 131 clients to open banking relationships outside of Oman to fulfill their financial needs in multiple markets.

In the Wholesale business, we participated as a Mandated Lead Arranger (MLA) in the Ministry of Finance's 7 year USD4bn Syndicated Term Loan facility with an initial commitment of USD200m.

We also held sessions for top Government related entities on Sustainable Finance as this topic increasingly becomes a priority for our clients. As a Bank, we prioritise financing and investment that supports the transition to a net-zero global economy.

We were voted by our corporate clients as the best bank for trade finance services in the 2022 Euromoney trade finance survey. This award demonstrates our strong position and our ability to connect Omani businesses to trading partners around the globe and our commitment to invest in the digitalisation of our products and services.

Investing in our people and the community

We are pleased to have maintained an Omanisation rate of 94% as at 31 March 2022.

During the Quarter, two Omanis were appointed to Senior Management positions, Chief Financial Officer - General Manager and Head of Financial Crime Compliance - Assistant General Manager.

During the quarter, our learning activities focused on delivering programmes that will help our people to create effective development plans, clarify their aspirations and use the opportunities around them to build the skills, experience and attributes necessary to achieve their goals.

Another area of focus was the wellbeing and mental health of our people, where we delivered a number of learning sessions and activities to support our employees to make positive choices about their personal and professional priorities. We organized a “Wellness Day” at the bank, where staff had the opportunity to listen to and interact with experts about mental and physical wellbeing.

We are happy to note that 4 of our staff have successfully completed the national leadership programme “Etimad”, and 5 more have joined the second batch of the programme during the first quarter of this year.

As part of our Corporate Sustainability program, we signed a two-year agreement with the Environment Society of Oman (ESO) to support its efforts towards the conservation of the Arabian Sea humpback whale. Under the partnership, ESO will carry out two new projects: a Conservation Management Plan that aims to work with local authorities to implement alternative solutions to harmful marine practices that threaten the whales’ survival, and a Capacity Building programme that focuses on developing the next generation of marine researchers.

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 2022

| | 31 March 2022 RO'000 | 31 March 2021 RO'000 | Change (%) |
|--|-------------------------|-------------------------|------------|
| Loans and advances to customers – net | 1,304,849 | 1,346,652 | (3.1)% |
| Customer deposits | 1,959,520 | 2,002,074 | (2.1)% |
| Net assets | 340,270 | 330,973 | 2.8% |
| Net assets per share* | 0.170 | 0.165 | 3.0% |

| | Three month period ended 31 March 2022 RO'000 | Three month period ended 31 March 2021 RO'000 | Change (%) |
|--|--|--|------------|
| Net interest income | 12,356 | 12,279 | 0.6% |
| Profit for the period | 5,395 | 4,264 | 26.5% |
| Earnings per share (annualised)** | 0.011 | 0.009 | 22.2% |
| Capital adequacy ratio (CAR)*** | 21.72% | 20.91% | 0.81% |

* 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 per share (annualised) has been calculated by dividing the annualised net profit 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

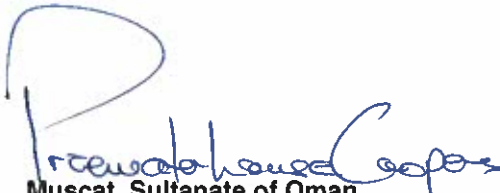
We have reviewed the accompanying interim condensed statement of financial position of HSBC Bank Oman SAOG as at 31 March 2022 and the related interim condensed statement of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 ("IAS 34") - 'Interim Financial Reporting'. 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
28 April 2022

Interim condensed statement of comprehensive income for the three month period ended 31 March 2022 (unaudited)

| | | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 |
|---|--------------|--|--|
| | <i>Notes</i> | RO'000 | RO'000 |
| Interest income | 3 | 16,082 | 16,164 |
| Interest expense | 4 | (3,726) | (3,885) |
| Net interest income | | 12,356 | 12,279 |
| Fee income | | 3,199 | 3,283 |
| Fee expense | | (843) | (818) |
| Net fee income | 5 | 2,356 | 2,465 |
| Net trading income | | 1,611 | 1,711 |
| Changes in fair value of financial investments measured at fair value through profit and loss (FVTPL) | | - | - |
| Other operating income – net | | 228 | 120 |
| Net operating income before change in expected credit losses and other credit impairment charges | | 16,551 | 16,575 |
| Change in expected credit losses and other credit impairment charges | 6 | 2,033 | 2,155 |
| Net operating income | | 18,584 | 18,730 |
| Employee compensation and benefits | 7(a) | (5,354) | (6,025) |
| General and administrative expenses | 7(b) | (6,241) | (6,749) |
| Depreciation and impairment of property, equipment and right-of-use assets | | (462) | (827) |
| Amortisation and impairment of intangible assets | | - | - |
| Total operating expenses | | (12,057) | (13,601) |
| Profit before tax | | 6,527 | 5,129 |
| Tax expense | | (1,132) | (865) |
| Profit for the period | | 5,395 | 4,264 |
| Other comprehensive income / (loss) | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Debt instruments at fair value through other comprehensive income (FVOCI) | | | |
| -Fair value gain / (loss) | | 196 | (800) |
| -Expected credit losses recognised in income statement | | 23 | (97) |
| -Income tax | | (29) | 120 |
| Other comprehensive income / (loss) for the period - net of tax | | 190 | (777) |
| Total comprehensive income for the period | | 5,585 | 3,487 |
| Earnings per share – basic and diluted | | | |
| | 8 | | |
| -for the period (RO) | | 0.003 | 0.002 |
| -annualised (RO) | | 0.011 | 0.009 |

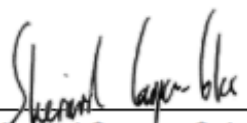
The accompanying notes form an integral part of this interim condensed financial information.

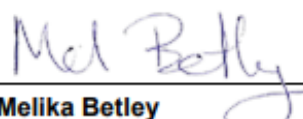
Interim condensed statement of financial position as at 31 March 2022 (unaudited)

| | | At 31 March 2022 | At 31 March 2021 | Audited At 31 December 2021 |
|---------------------------------------|-------|---------------------|---------------------|-----------------------------------|
| | Notes | RO'000 | RO'000 | RO'000 |
| Assets | | | | |
| Cash and balances with central banks | | 245,334 | 229,115 | 282,721 |
| Due from banks | | 267,178 | 218,977 | 213,700 |
| Loans and advances to customers - net | 9 | 1,304,849 | 1,346,652 | 1,347,188 |
| Financial investments | 10 | 556,784 | 617,121 | 448,962 |
| Other assets | 11 | 41,581 | 44,347 | 34,078 |
| Intangible assets | 12 | - | - | - |
| Property and equipment | 13 | 20,273 | 19,615 | 20,342 |
| Deferred tax assets | | 2,578 | 4,517 | 2,256 |
| Total assets | | 2,438,577 | 2,480,344 | 2,349,247 |
| Liabilities and equity | | | | |
| Liabilities | | | | |
| Due to banks | | 70,258 | 84,538 | 48,444 |
| Deposits from customers | 14 | 1,959,520 | 2,002,074 | 1,901,094 |
| Current tax liabilities | | 6,822 | 5,060 | 5,339 |
| Other liabilities | 15 | 61,707 | 57,699 | 48,883 |
| Total liabilities | | 2,098,307 | 2,149,371 | 2,003,760 |
| Equity | | | | |
| Share capital | 20 | 200,031 | 200,031 | 200,031 |
| Legal reserve | 21(a) | 47,777 | 45,944 | 47,777 |
| FVOCI reserve | 21(b) | 1,570 | 912 | 1,380 |
| Retained earnings | | 90,892 | 84,086 | 96,299 |
| Total equity | | 340,270 | 330,973 | 345,487 |
| Total liabilities and equity | | 2,438,577 | 2,480,344 | 2,349,247 |

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

The interim condensed financial information were authorised for issue on 28 April 2022 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 three month period ended 31 March 2022 (unaudited)

| | Share capital | Legal reserve | FVOCI reserve | Retained earnings | Total |
|--|----------------|---------------|---------------|-------------------|----------------|
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| At 1 January 2021 | 200,031 | 45,944 | 1,689 | 79,822 | 327,486 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 4,264 | 4,264 |
| Other comprehensive income for the period | | | | | |
| Net movement in fair value of debt instruments carried at FVOCI (net of tax) | - | - | (777) | - | (777) |
| Total other comprehensive loss for the period | - | - | (777) | - | (777) |
| Total comprehensive income / (loss) for the period | - | - | (777) | 4,264 | 3,487 |
| Transaction with shareholders, recorded directly in equity | | | | | |
| Dividend for 2020 | - | - | - | - | - |
| At 31 March 2021 | 200,031 | 45,944 | 912 | 84,086 | 330,973 |
| At 1 January 2022 | 200,031 | 47,777 | 1,380 | 96,299 | 345,487 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 5,395 | 5,395 |
| Other comprehensive income for the period | | | | | |
| Net movement in fair value of debt instruments carried at FVOCI (net of tax) | - | - | 190 | - | 190 |
| Total other comprehensive income for the period | - | - | 190 | - | 190 |
| Total comprehensive income for the period | - | - | 190 | 5,395 | 5,585 |
| Transaction with shareholders, recorded directly in equity | | | | | |
| Dividend for 2021 | - | - | - | (10,802) | (10,802) |
| At 31 March 2022 | 200,031 | 47,777 | 1,570 | 90,892 | 340,270 |

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

**Interim condensed statement of cash flows for the three month period ended 31 March 2022
(unaudited)**

| | | Three month period ended | Three month period ended |
|---|--------------|-------------------------------------|-------------------------------------|
| | | 31 March 2022 | 31 March 2021 *Restated |
| | Notes | RO'000 | RO'000 |
| Cash flows from operating activities | | | |
| Profit before tax | | 6,527 | 5,129 |
| Adjustments for: | | | |
| -non-cash items included in profit before tax | 25(a) | (1,640) | (1,266) |
| -change in operating assets | 25(b) | 36,659 | 10,922 |
| -change in operating liabilities | 25(c) | 82,309 | 120,362 |
| -retirement benefits paid | | (83) | (17) |
| Net cash generated from operating activities | | 123,772 | 135,130 |
| Cash flows from investing activities | | | |
| Purchase of financial investments | | (34,851) | (10,157) |
| Proceeds from maturity of financial investments | | 60 | 135 |
| Purchase of property , equipment and software | 13 | (201) | (633) |
| Net cash used in investing activities | | (34,992) | (10,655) |
| Net change in cash and cash equivalents | | 88,780 | 124,475 |
| Cash and cash equivalents at the beginning of the period* | | 817,619 | 863,481 |
| Cash and cash equivalents at the end of the period | 25(d) | 906,399 | 987,956 |

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

*Please refer note 26

Notes to the interim condensed financial information (unaudited)

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 International Accounting Standard ('IAS') 34 'Interim Financial Reporting' 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 2021 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').

(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) Standards applicable during the year

There were no new accounting standards or interpretations that had a significant effect on the Bank during the period ended 31 March 2022.

(f) 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 2021.

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

(g) Going concern

The interim condensed financial information is prepared on a going concern basis, as the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Bank has considered a range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

(h) 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.

Measurement of segmental assets, liabilities, income and expenses is in accordance with the Bank's accounting policies. Segmental income and expenses include transfers between segments, and these transfers are conducted at arm's length. Shared costs are included in segments on the basis of the actual recharges made.

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 2021 except for those matters described in note 9.

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

3 Interest income

Interest earning assets earned interest at an overall annualised rate of 3.11% for the three month period ended 31 March 2022 (31 March 2021 – 3.04%).

| | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 |
|---------------------------------|--|--|
| | RO'000 | RO'000 |
| Loans and advances to customers | 13,787 | 14,194 |
| Financial investments | 1,573 | 1,077 |
| Due from banks | 86 | 163 |
| Others | 636 | 730 |
| Total | 16,082 | 16,164 |

4 Interest expense

For the three month period ended 31 March 2022, the average overall annualised cost of funds was 0.75% (31 March 2021 – 0.77%).

| | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 |
|-------------------------|--|--|
| | RO'000 | RO'000 |
| Deposits from customers | (3,606) | (3,763) |
| Due to banks | (77) | (81) |
| Others | (43) | (41) |
| Total | (3,726) | (3,885) |

5 Net fee income

| | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 |
|-------------------------|--|--|
| | RO'000 | RO'000 |
| Credit facilities | 190 | 639 |
| Remittances | 311 | 255 |
| Cards | 1,037 | 782 |
| Global Custody | 165 | 191 |
| Account services | 312 | 254 |
| Trade finance | 273 | 291 |
| Others | 911 | 871 |
| Total Fee income | 3,199 | 3,283 |
| Fee expense | (843) | (818) |
| Net Fee income | 2,356 | 2,465 |

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

| | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 |
|--------------------------------|--|--|
| | RO'000 | RO'000 |
| Loans and advances to customer | 2,346 | 2,817 |
| Due from banks | 8 | 97 |
| Loan commitment and guarantees | (470) | (944) |
| Other financial assets | 172 | 88 |
| Financial investments at FVOCI | (23) | 97 |
| Total | 2,033 | 2,155 |

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

7 Operating expenses

| 7(a) Employee compensation and benefits | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 |
|---|--|--|
| | RO'000 | RO'000 |
| Wages and salaries | (3,959) | (4,218) |
| Social security costs | (415) | (395) |
| Post-employment benefits | (66) | (48) |
| Other employee benefits | (914) | (1,364) |
| | (5,354) | (6,025) |

| 7(b) General and administrative expenses | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 |
|--|--|--|
| | RO'000 | RO'000 |
| Marketing and advertising | (143) | (396) |
| Premises and equipment | (709) | (840) |
| Communications | (193) | (194) |
| Insurance | (271) | (290) |
| Other administrative expenses | (4,925) | (5,029) |
| | (6,241) | (6,749) |

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:

| | Three month period ended 31 March 2022 | Three month period ended 31 March 2021 | Year ended 31 December 2021 |
|--|--|--|-----------------------------------|
| Weighted average number of shares in issue ('000) | 2,000,312 | 2,000,312 | 2,000,312 |
| Profit for the period / year (RO'000) | 5,395 | 4,264 | 18,332 |
| Earnings per share – basic and diluted (RO) | | | |
| - for the period / year | 0.003 | 0.002 | 0.009 |
| - annualised | 0.011 | 0.009 | 0.009 |

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

9 Loans and advances to customers - net

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---------------------------------|------------------|------------------|---------------------|
| | RO'000 | RO'000 | RO'000 |
| Overdrafts | 153,722 | 164,170 | 150,746 |
| Credit cards | 28,299 | 27,642 | 32,338 |
| Loans | 1,094,776 | 1,133,392 | 1,140,632 |
| Clean import loans | 67,900 | 72,460 | 62,151 |
| Bills discounted / purchased | 13,554 | 12,467 | 15,958 |
| Gross loans and advances | 1,358,251 | 1,410,131 | 1,401,825 |
| Allowances for ECL | (39,105) | (49,440) | (41,393) |
| Reserved interest* | (14,297) | (14,039) | (13,244) |
| Loans and advances (net) | 1,304,849 | 1,346,652 | 1,347,188 |

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

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

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---|------------------|------------------|---------------------|
| | RO'000 | RO'000 | RO'000 |
| Balance at the beginning of the period / year | 13,244 | 13,416 | 13,416 |
| Reserved during the period / year | 1,131 | 690 | 2,910 |
| Released to the statement of comprehensive income | (77) | (67) | (1,241) |
| Written off during the period / year | (1) | - | (1,841) |
| Balance at the end of the period / year | 14,297 | 14,039 | 13,244 |

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

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and guarantees

The following disclosure provides a reconciliation by stage of the Bank's gross carrying / nominal amount and allowances for loans and advances to banks and customers, including loan commitments and guarantees. Movements are calculated on a quarterly basis and therefore fully capture stage movements between quarters. If movements were calculated on a year-to-date basis they would only reflect the opening and closing position of the financial instrument. The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL.

The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying customer risk rating ('CRR')/probability of default ('PD') movements of the financial instruments from stage transfers. This is captured, along with other credit quality movements in the 'Net new and further lending/(repayments) and changes in risk parameters' line item. This line also includes changes due to volume movements within the group's lending portfolio.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and guarantees at 31 March 2022;

| | Non credit - impairment | | | | Credit impairment | | Total | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | | | |
| | Gross carrying / nominal amount | Allowance for ECL | Gross carrying / nominal amount | Allowance for ECL | Gross carrying / nominal amount | Allowance for ECL | Gross carrying / nominal amount | Allowance for ECL |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| As at 01 January 2022 | 1,332,815 | 4,625 | 874,613 | 16,756 | 45,924 | 22,607 | 2,253,352 | 43,988 |
| -Transfers from stage 1 to stage 2 | (8,984) | (95) | 8,984 | 95 | - | - | - | - |
| -Transfers from stage 2 to stage 1 | 190,809 | 721 | (190,809) | (721) | - | - | - | - |
| -Transfers to stage 3 | - | - | (8,020) | (321) | 8,020 | 321 | - | - |
| -Transfers from stage 3 | - | - | 1,169 | 553 | (1,169) | (553) | - | - |
| Net remeasurement of ECL arising from transfer of stage | - | (388) | - | 39 | - | 30 | - | (319) |
| Net new lending / (repayments) and changes to risk parameters | (30,789) | (1,125) | 58,118 | (488) | (3,378) | 823 | 23,951 | (790) |
| Assets written off | - | - | - | - | (699) | (685) | (699) | (685) |
| At 31 March 2022 | 1,483,851 | 3,738 | 744,055 | 15,913 | 48,698 | 22,543 | 2,276,604 | 42,194 |
| ECL release / (charge) for the period | | 1,518 | | 449 | | (853) | | 1,114 |
| Recoveries | | - | | - | | 770 | | 770 |
| Total ECL release / (charge) for the period | | 1,518 | | 449 | | (83) | | 1,884 |

HSBC Bank Oman S.A.O.G.

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

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and guarantees at 31 March 2022 (continued);

| | At 31 March 2022 | | For the period ended 31 |
|--|---------------------------------|-------------------|-------------------------|
| | | | March 2022 |
| | Gross carrying / nominal amount | Allowance for ECL | ECL release / (charge) |
| | RO'000 | RO'000 | RO'000 |
| As above | 2,276,604 | 42,194 | 1,884 |
| Other financial assets measured at amortised cost | 271,611 | 456 | 172 |
| Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/ Summary income statement | 2,548,215 | 42,650 | 2,056 |
| Debt instruments measured at FVOCI (note 13) | 556,784 | 700 | (23) |
| Total allowance for ECL / total profit or loss ECL charge for the period | 3,104,998 | 43,350 | 2,033 |

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and guarantees at 31 December 2021;

| | Non credit - impairment | | | | Credit impairment | | Total | |
|---|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Stage 1 | | Stage 2 | | Stage 3 | | | |
| | Gross carrying / nominal amount | Allowance for ECL | Gross carrying / nominal amount | Allowance for ECL | Gross carrying / nominal amount | Allowance for ECL | Gross carrying / nominal amount | Allowance for ECL |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| As at 01 January 2021 | 1,511,035 | 9,608 | 784,579 | 20,616 | 52,892 | 27,198 | 2,348,506 | 57,422 |
| -Transfers from stage 1 to stage 2 | (540,752) | (2,311) | 540,752 | 2,311 | - | - | - | - |
| -Transfers from stage 2 to stage 1 | 368,755 | 5,150 | (368,755) | (5,150) | - | - | - | - |
| -Transfers to stage 3 | - | - | (13,965) | (3,453) | 13,965 | 3,453 | - | - |
| -Transfers from stage 3 | - | - | 6,842 | 3,036 | (6,842) | (3,036) | - | - |
| Net remeasurement of ECL arising from transfer of stage | - | (1,628) | - | 3,219 | - | 239 | - | 1,830 |
| Net new lending / (repayments) and changes to risk parameters | (6,223) | (6,194) | (74,840) | (3,823) | (3,014) | 3,989 | (84,077) | (6,028) |
| Assets written off | - | - | - | - | (11,077) | (9,236) | (11,077) | (9,236) |
| At 31 December 2021 | 1,332,815 | 4,625 | 874,613 | 16,756 | 45,924 | 22,607 | 2,253,352 | 43,988 |
| ECL release / (charge) for the year | | 7,822 | | 604 | | (4,228) | | 4,198 |
| Recoveries | | - | | - | | 3,415 | | 3,415 |
| Total ECL release / (charge) for the year | | 7,822 | | 604 | | (813) | | 7,613 |

HSBC Bank Oman S.A.O.G.

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

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and guarantees at 31 December 2021 (continued);

| | At 31 December 2021 | | For the year ended 31 December 2021 |
|---|---|-----------------------------|--|
| | Gross carrying / nominal amount RO'000 | Allowance for ECL RO'000 | ECL release / (charge) RO'000 |
| As above | 2,253,352 | 43,988 | 7,613 |
| Other financial assets measured at amortised cost | 306,210 | 648 | (247) |
| Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/ Summary income statement | 2,559,562 | 44,636 | 7,366 |
| Debt instruments measured at FVOCI (note 13) | 448,696 | 677 | 134 |
| Total allowance for ECL/total profit or loss ECL charge for the year | 3,008,258 | 45,313 | 7,500 |

Areas of special interest

Macro-economic Environment

In the first month of 2022, the global economy experienced a significant rebound from the Covid-19 pandemic as the Omicron variant was seen to have lower impact on hospitalisations and deaths as was first feared. In most countries, including Oman where high vaccination rates have been achieved, restrictions impacting travel, hospitality and schools were relaxed, paving the way for renewed economic growth as the pandemic transitioned to an endemic status.

The varying government support measures which were introduced in response to the outbreak are progressively being rolled-back. The number of customers within HBON who continue to benefit from loan instalments deferrals or restructures continues to reduce and the Bank has maintained its conservative provisioning approach for those customers displaying increased unlikelihood to pay characteristics.

This improving global backdrop was dimmed from mid-February by the escalation of the Russian / Ukraine conflict which has significantly disrupted supply chains and impacted commodities prices. In the near term, Oman has been largely shielded from the main impacts of the conflict and has even benefited from the increased oil prices seen in the market. In the longer term however, there are growing concerns with regards to inflation and food security – even though Oman has the necessary trade links and financial power to secure adequate supplies, it is highly dependent on imports of all kinds.

Management judgmental adjustments

Expected Credit Loss (ECL) impairment allowances recognised in the interim condensed financial information reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios. The recognition and measurement of ECL involves the use of significant judgment and estimation. It is necessary to formulate multiple forward looking economic forecasts and incorporate them into the ECL estimates. The Bank uses a standard framework to form economic scenarios to reflect assumptions about future economic conditions, supplemented by the use of management judgment, which may result in using alternative or additional economic scenarios and / or management adjustments.

The ongoing uncertainty due to the Covid-19 pandemic has largely subsided over the last months and Oman has relaxed many of its precautionary restrictions however a resurgence of cases in Asia (where lockdown measures have been drastic) is leading to supply chain issues, and the Russian / Ukraine conflict has also given rise to pressure on specific industries. To factor-in this latter context, a new scenario 'New downside' was introduced in the Forward Economic Guidance (FEG) exercise over and above the standard four economic scenario used at year end December 2021. This Russian / Ukraine scenario, which included a protracted conflict between Russia and Ukraine, was retained as a supplemental scenario in the 1Q22 ECL run to reflect the impact on commodity prices (wheat, steel, oil etc.) and on supply chains for our customers. As a result, as at 31 March 2022 the Central scenario has been assigned a weighting of 65%, the Downside scenario 20%, the Upside and Additional Downside 5% each and the New Downside scenario 5%, according to the decision of the Bank's senior management (as at 31 December 2021, the Central scenario has been assigned a weighting of 70%, the Downside scenario 20% and the Upside and Additional Downside 5% each).

The outcome is that the FEG continued to improve from 4Q21 for HBON, driven by sustained GDP growth and improved oil prices, leading to released ECLs. Oman remained largely insulated from the European conflict and benefitted from global energy price increases. On a sectoral basis, we believe that certain industries (Real Estate, Automotive and Contracting and Construction) are still showing areas of weakness and that modelled ECLs insufficiently capture tail risks from the economic environment described above, leading to us partially retaining an existing overlays.

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

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

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---------------|------------------|------------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| 0-5% | 1,032,554 | 983,037 | 1,042,289 |
| 5-7% | 267,889 | 367,942 | 296,897 |
| 7-10% | 18,800 | 24,383 | 19,787 |
| 10-13% | 2,098 | 3,431 | 2,037 |
| More than 13% | 36,910 | 31,338 | 40,816 |
| Total | 1,358,252 | 1,410,131 | 1,401,826 |

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

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|-------------------|------------------|------------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| 0-6 months | 320,575 | 309,554 | 379,007 |
| 6-12 months | 31,347 | 39,865 | 34,422 |
| 1-3 years | 217,095 | 255,203 | 244,301 |
| 3-5 years | 177,868 | 162,253 | 182,191 |
| More than 5 years | 557,964 | 579,777 | 507,265 |
| Total | 1,304,849 | 1,346,652 | 1,347,188 |

Concentration of loans and advances:

Loans and advances to customers by industry sector

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---|------------------|------------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| Personal and consumer loans | 485,382 | 441,869 | 458,488 |
| Corporate and commercial | | | |
| Import trade | 125,746 | 139,112 | 124,952 |
| Construction | 102,663 | 86,646 | 106,082 |
| Manufacturing | 170,983 | 169,603 | 164,232 |
| Wholesale and retail trade | 38,594 | 47,543 | 52,190 |
| Electricity, gas, water, transportation and communication | 53,487 | 89,378 | 54,282 |
| Services | 84,498 | 115,356 | 99,129 |
| Mining and quarrying | 26,889 | 40,574 | 32,140 |
| Others | 262,675 | 280,050 | 309,728 |
| | 865,535 | 968,262 | 942,735 |
| Financial institutions | 7,334 | - | 602 |
| Total gross loans and advances | 1,358,251 | 1,410,131 | 1,401,825 |
| ECL Allowances | (39,105) | (49,440) | (41,393) |
| Reserved interest | (14,297) | (14,039) | (13,244) |
| Net loans and advances | 1,304,849 | 1,346,652 | 1,347,188 |
| Non-Performing Loans (NPL) | 67,532 | 50,748 | 42,944 |

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

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

| As of 31 March 2022 | As per CBO norms | As per IFRS 9 | Difference |
|---|------------------|---------------|------------|
| | RO'000 | RO'000 | RO'000 |
| Change in expected credit losses and other credit impairment charges* | 886 | 2,033 | 1,147 |
| Provisions required** | 52,799 | 57,647 | 4,847 |
| Gross NPL ratio (percentage) | 3.18% | 3.18% | - |
| Net NPL ratio (percentage) | 0.54% | 0.55% | 0.01% |

| At 31 March 2021 | As per CBO norms | As per IFRS 9 | Difference |
|---|------------------|---------------|------------|
| | RO'000 | RO'000 | RO'000 |
| Change in expected credit losses and other credit impairment charges* | (2,790) | 2,155 | 4,945 |
| Provisions required** | 44,241 | 56,063 | 11,822 |
| Gross NPL ratio (percentage) | 3.60% | 3.60% | - |
| Net NPL ratio (percentage) | 0.77% | 0.87% | 0.10% |

| At 31 December 2021 | As per CBO norms | As per IFRS 9 | Difference |
|---|------------------|---------------|------------|
| | RO'000 | RO'000 | RO'000 |
| Change in expected credit losses and other credit impairment charges* | 3,017 | 7,500 | 4,483 |
| Provisions required** | 52,554 | 58,557 | 6,003 |
| Gross NPL ratio (percentage) | 3.06% | 3.06% | - |
| Net NPL ratio (percentage) | 0.58% | 0.59% | 0.01% |

* Change in expected credit losses and other credit impairment charges reported in these interim condensed financial information is based on IFRS 9 as it is more than the CBO provision requirement.

**Provision required includes the reserved interest of RO14.3 million (31 March 2021: RO14.0 million and 31 December 2021 RO13.2 million)

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 March 2022

| 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 | Net carrying amount RO'000 | Reserve interest as per CBO norms RO'000 |
|--|-------------------------------------|---------------------------------|---|---|---|-------------------------------|---|
| | | | | | CBO provision required and provision held RO'000 | | |
| (1) | (2) | (3) | (4) | (5) | (6)=(4)-(5) | (7)=(3)-(5) | (8) |
| Standard | Stage 1 | 765,241 | 11,711 | 3,234 | 8,477 | 762,007 | 154 |
| | Stage 2 | 513,089 | 4,656 | 8,538 | (3,882) | 504,551 | 384 |
| | Stage 3 | - | - | - | - | - | - |
| | | 1,278,330 | 16,367 | 11,772 | 4,595 | 1,266,558 | 538 |
| Special mention | Stage 1 | 2 | - | 1 | (1) | 1 | - |
| | Stage 2 | 34,940 | 350 | 5,026 | (4,676) | 29,914 | 490 |
| | Stage 3 | 1,840 | 417 | 104 | 313 | 1,736 | 40 |
| | | 36,782 | 767 | 5,131 | (4,364) | 31,651 | 530 |
| Substandard | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 989 | 250 | 508 | - | 481 | 51 |
| | | 989 | 250 | 508 | (258) | 481 | 51 |
| Doubtful | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 108 | 54 | 64 | (10) | 44 | 7 |
| | | 108 | 54 | 64 | (10) | 44 | 7 |
| Loss | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| | Stage 3 | 42,042 | 21,064 | 21,630 | (566) | 20,412 | 13,171 |
| | | 42,042 | 21,064 | 21,630 | (566) | 20,412 | 13,171 |
| Other items not covered under CBO circular BM 977 and related instructions | Stage 1 | 1,131,534 | - | 872 | (872) | 1,130,662 | - |
| | Stage 2 | 610,418 | - | 3,136 | (3,136) | 607,282 | - |
| | Stage 3 | 4,795 | - | 237 | (237) | 4,558 | - |
| | | 1,746,747 | - | 4,245 | (4,245) | 1,742,502 | - |
| Total | Stage 1 | 1,896,777 | 11,711 | 4,107 | 7,604 | 1,892,670 | 154 |
| | Stage 2 | 1,158,447 | 5,006 | 16,700 | (11,694) | 1,141,747 | 874 |
| | Stage 3 | 49,774 | 21,785 | 22,543 | (758) | 27,231 | 13,269 |
| Total | Total | 3,104,998 | 38,502 | 43,350 | (4,848) | 3,061,648 | 14,297 |

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 March 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 amount as per IFRS 9 | 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 | 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 |

Comparison of provision held as per IFRS 9 and provision required as per CBO norms (as per CBO illustrative disclosure) as of 31 December 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 amount as per IFRS 9 | 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 | 1,810,251 | 10,260 | 4,925 | 5,335 | 1,805,326 | 142 |
| | Stage 2 | 1,152,083 | 6,662 | 17,781 | (11,119) | 1,134,302 | 390 |
| | Stage 3 | 45,924 | 22,388 | 22,607 | (219) | 23,317 | 12,712 |
| Total | | 3,008,258 | 39,310 | 45,313 | (6,003) | 2,962,945 | 13,244 |

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

Restructured loans and advances (as per CBO illustrative disclosure) as of 31 March 2022

| 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) |
| | Stage 1 | 21,536 | 215 | 97 | 118 | 21,439 | - |
| | Stage 2 | 28,543 | 285 | 1,209 | (924) | 27,334 | 131 |
| Classified as performing | Stage 3 | 1,840 | 417 | 104 | 313 | 1,736 | 40 |
| Sub Total | | 51,919 | 917 | 1,410 | (493) | 50,509 | 171 |
| | Stage 1 | - | - | - | - | - | - |
| | Stage 2 | - | - | - | - | - | - |
| Classified as non-performing | Stage 3 | 16,448 | 8,724 | 11,521 | (2,797) | 4,927 | 1,068 |
| Sub Total | | 16,448 | 8,724 | 11,521 | (2,797) | 4,927 | 1,068 |
| | Stage 1 | 21,536 | 215 | 97 | 118 | 21,439 | - |
| | Stage 2 | 28,543 | 285 | 1,209 | (924) | 27,334 | 131 |
| | Stage 3 | 18,288 | 9,141 | 11,625 | (2,484) | 6,663 | 1,108 |
| Total | Total | 68,367 | 9,641 | 12,931 | (3,290) | 55,436 | 1,239 |

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

Restructured loans and advances (as per CBO illustrative disclosure) as of 31 December 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 | 61,581 | 616 | 816 | (200) | 60,765 | - |
| | Stage 2 | 8,336 | 83 | 1,073 | (990) | 7,263 | 57 |
| | Stage 3 | 17,702 | 10,991 | 11,612 | (621) | 6,090 | 1,012 |
| Total | | 87,619 | 11,690 | 13,501 | (1,811) | 74,118 | 1,069 |

HSBC Bank Oman S.A.O.G.

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 |
|---------------------------------------|-------------------|------------|-------------|-----------------------|----------------|----------------|-----------------|----------|-------------|
| | 31 March | 31 March | 31 December | 31 March | 31 March | 31 December | 31 March | 31 March | 31 December |
| | 2022 | 2021 | 2021 | 2022 | 2021 | 2021 | 2022 | 2021 | 2021 |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Marketable securities – MSX | | | | | | | | | |
| Government bonds | 77,840 | 77,038 | 77,711 | 77,840 | 77,038 | 77,711 | 76,816 | 76,781 | 76,819 |
| Unquoted and other investments | | | | | | | | | |
| Treasury bills | 478,738 | 539,866 | 370,985 | 478,738 | 539,866 | 370,985 | 478,688 | 539,839 | 371,000 |
| Unquoted Omani shares | 200 | 210 | 259 | 200 | 210 | 259 | 250 | 260 | 260 |
| Unquoted foreign shares | 6 | 7 | 7 | 6 | 7 | 7 | 6 | 7 | 7 |
| | 478,944 | 540,083 | 371,251 | 478,944 | 540,083 | 371,251 | 478,944 | 540,106 | 371,267 |
| Total | 556,784 | 617,121 | 448,962 | 556,784 | 617,121 | 448,962 | 555,760 | 616,887 | 448,086 |

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

Carrying amount of financial investments

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|--|----------------|----------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| Financial investments measured at fair value through other comprehensive income | | | |
| Treasury bills | 478,738 | 539,866 | 370,985 |
| Government bonds | 77,840 | 77,038 | 77,711 |
| Other investments | 200 | 200 | 200 |
| | 556,778 | 617,104 | 448,896 |
| Financial investments measured at fair value through profit or loss | | | |
| Equity investments | 6 | 17 | 66 |
| Total | 556,784 | 617,121 | 448,962 |

11 Other assets

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|-------------------------------------|---------------|---------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| Acceptances | 26,043 | 25,705 | 23,454 |
| ECL on acceptances | (221) | (101) | (612) |
| Acceptances (net of ECL) | 25,822 | 25,604 | 22,842 |
| Derivatives-positive mark-to-market | 4,394 | 13,910 | 6,040 |
| Prepayments | 934 | 626 | 393 |
| Right-of-use assets | 2,826 | 3,027 | 2,396 |
| Others* | 7,605 | 1,180 | 2,407 |
| Total | 41,581 | 44,347 | 34,078 |

*Others includes RO0.7 M of work in progress which represents the development of a computer software from HSBC affiliates as of 31 March 2022. The costs incurred will be capitalised upon completion of the project.

12 Intangible assets

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|--------------------------|---------------|---------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| Computer Software | - | - | 3,058 |
| Less: amortised | - | - | - |
| Less: impairment | - | - | (3,058) |
| Total | - | - | - |

13 Property and equipment

RO0.2 M of property and equipment were added during the period (31 March 2021: RO0.6 M). Property and equipment disposed of during the period was RO0.04 M (31 March 2021: RO0.5 M).

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

14 Deposits from customers

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|----------------------------------|------------------|------------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| Deposits details are as follows: | | | |
| Current and call | 1,068,795 | 972,943 | 1,021,550 |
| Savings | 403,735 | 419,910 | 399,685 |
| Time deposits | 483,798 | 605,396 | 476,978 |
| Others | 3,192 | 3,825 | 2,881 |
| Total | 1,959,520 | 2,002,074 | 1,901,094 |

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

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|--------------|------------------|------------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| 0-6 months | 696,064 | 791,716 | 660,642 |
| 6-12 months | 295,216 | 273,088 | 290,611 |
| 1-3 years | 431,654 | 168,655 | 428,588 |
| 3-5 years | 151,785 | 394,612 | 149,626 |
| Over 5 years | 384,801 | 374,003 | 371,627 |
| Total | 1,959,520 | 2,002,074 | 1,901,094 |

The interest rate bands of deposits are as follows:

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|--------------|------------------|------------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| 0-2% | 1,474,500 | 1,589,118 | 1,482,382 |
| 2-5% | 485,020 | 412,956 | 418,712 |
| Total | 1,959,520 | 2,002,074 | 1,901,094 |

15 Other liabilities

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---|---------------|---------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| Acceptances | 26,043 | 25,705 | 23,454 |
| Accruals and deferred income | 4,195 | 3,626 | 6,103 |
| Lease liabilities | 2,676 | 2,968 | 2,391 |
| Provisions | 302 | 432 | 379 |
| ECL on off balance sheet exposure and other commitments | 3,039 | 5,521 | 2,565 |
| Retirement benefit liability | 1,495 | 1,436 | 1,464 |
| Derivatives - negative mark-to-market | 5,966 | 871 | 1,326 |
| Dividend Payable | 10,802 | - | - |
| Others | 7,189 | 17,143 | 11,201 |
| Total | 61,707 | 57,699 | 48,883 |

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

16 Contingent liabilities, commitments and derivatives

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---|------------------|------------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| Undrawn unconditionally cancellable commitments* | 467,205 | 520,581 | 465,935 |
| Undrawn unconditionally non-cancellable commitments | 76,735 | 67,169 | 76,296 |
| Forward foreign exchange contracts | 33,206 | 183,944 | 21,125 |
| Interest rate swaps | 246,015 | 222,915 | 246,015 |
| Documentary credits | 77,119 | 72,884 | 66,862 |
| Guarantees and performance bonds | 449,319 | 480,867 | 457,643 |
| Total | 1,349,599 | 1,548,360 | 1,333,876 |

*Undrawn unconditionally cancellable commitments of RO124.6 M (31 March 2021: RO99 M. 31 December 2021: RO113 M) are considered as part of loan commitments for IFRS 9.

As at 31 March 2022, 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 RO'000 | Level 2 RO'000 | Total RO'000 |
| At 31 March 2022 | | | |
| Assets | | | |
| Derivatives | - | 4,394 | 4,394 |
| Financial investments at fair value through other comprehensive income | 96,248 | 460,530 | 556,778 |
| Financial investments at fair value through profit or loss | - | 6 | 6 |
| Liabilities | | | |
| Derivatives | - | 5,966 | 5,966 |
| Deposits from customers | - | 237,361 | 237,361 |
| At 31 March 2021 | | | |
| Assets | | | |
| 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 |
| Liabilities | | | |
| Derivatives | - | 871 | 871 |
| Deposits from customers | - | 234,170 | 234,170 |
| At 31 December 2021 | | | |
| Assets | | | |
| Derivatives | - | 6,040 | 6,040 |
| Financial investments at fair value through other comprehensive income | 96,248 | 352,648 | 448,896 |
| Financial investments at fair value through profit or loss | - | 66 | 66 |
| Liabilities | | | |
| Derivatives | - | 1,326 | 1,326 |
| Deposits from customers | - | 258,368 | 258,368 |

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 2021.

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

Derivatives

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price in one or more underlying financial instruments, reference rate or index. Derivative instruments include forwards, futures, swaps and options.

The table below sets out the positive and negative fair values of derivative financial instruments, together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional contract amounts of derivatives indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk. Forward foreign exchange contracts and interest rate swaps are measured using level 2 fair valuation hierarchy.

| 31 March 2022 | Positive fair value | Negative fair value | Total notional amount |
|--|----------------------------|----------------------------|------------------------------|
| | RO'000 | RO'000 | RO'000 |
| Derivatives: | | | |
| Forward foreign exchange contracts (note 23 (a)) | 292 | 285 | 33,206 |
| Interest rate swaps* | 4,102 | 5,681 | 246,015 |
| | 4,394 | 5,966 | 279,221 |
| <hr/> | | | |
| 31 March 2021: | Positive fair value | Negative fair value | Total notional amount |
| | RO'000 | RO'000 | RO'000 |
| Derivatives: | | | |
| Forward foreign exchange contracts | 4,171 | 746 | 183,944 |
| Interest rate swaps* | 9,739 | 125 | 222,915 |
| | 13,910 | 871 | 406,859 |
| <hr/> | | | |
| 31 December 2021: | Positive fair value | Negative fair value | Total notional amount |
| | RO'000 | RO'000 | RO'000 |
| Derivatives: | | | |
| Forward foreign exchange contracts | 107 | 102 | 21,125 |
| Interest rate swaps* | 5,933 | 1,224 | 246,015 |
| | 6,040 | 1,326 | 267,140 |

*The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

Hedge accounting derivatives

Fair value hedges

The Bank enters into fixed-for-floating-interest-rate swaps to manage the exposure to changes in fair value due to movements in market interest rates on certain fixed rate financial instruments which are not measured at fair value through profit or loss.

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

Hedging instrument by hedged risk

| | Hedging Instrument | | | Statement of financial position presentation | Change in fair value ² |
|------------------|------------------------------|--------|-------------|--|-----------------------------------|
| | Carrying Amount | | | | |
| | Notional Amount ¹ | Assets | Liabilities | | |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Hedged Risk | | | | | |
| Interest Rate | 246,015 | 4,102 | 5,681 | Derivative | (6,937) |
| At 31 March 2022 | 246,015 | 4,102 | 5,681 | | (6,937) |

| | Hedging Instrument | | | Statement of financial position presentation | Change in fair value ² |
|------------------|------------------------------|--------|-------------|--|-----------------------------------|
| | Carrying Amount | | | | |
| | Notional Amount ¹ | Assets | Liabilities | | |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Hedged Risk | | | | | |
| Interest Rate | 222,915 | 9,739 | 125 | Derivative | (2,324) |
| At 31 March 2021 | 222,915 | 9,739 | 125 | | (2,324) |

| | Hedging Instrument | | | Statement of financial position presentation | Change in fair value ² |
|---------------------|------------------------------|--------|-------------|--|-----------------------------------|
| | Carrying Amount | | | | |
| | Notional Amount ¹ | Assets | Liabilities | | |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Hedged Risk | | | | | |
| Interest Rate | 246,015 | 5,933 | 1,224 | Derivative | (5,791) |
| At 31 December 2021 | 246,015 | 5,933 | 1,224 | | (5,791) |

1 The notional contract amounts of derivatives designated in qualifying hedge accounting relationships indicate the nominal value of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

2 Used in effectiveness testing comprising the full fair value change of the hedging instrument

Derivative product types

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

The Bank's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term deposits due to movements in market interest rates.

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

Interest rate benchmark reform: Amendments to IFRS 9 and IAS 39 ‘Financial Instruments’

The Bank has applied both the first set of amendments (‘Phase 1’) and the second set of amendments (‘Phase 2’) to IFRS 9 and IAS 39 applicable to hedge accounting.

There is no significant judgment applied for benchmarks to determine whether and when the transition uncertainty has been resolved. The most significant lbor benchmark in which the Bank continues to have hedging instruments is US dollar Libor. It is expected that the transition out of US dollar Libor hedging derivatives will be largely completed by the end of 2022. These transitions do not necessitate new approaches compared with any of the mechanisms used so far for transition and it will not be necessary to change the transition risk management strategy.

The notional amounts of interest rate derivatives designated in hedge accounting relationships represent the extent of the risk exposure managed by the Bank that is expected to be directly affected by market-wide lbor reform and in scope of Phase 1 and Phase 2 amendments.

Hedging Instrument impacted by IBOR Reform

| | Impacted by IBOR reform | NOT impacted by IBOR reform | Notional Contract amount |
|---------------------------------------|------------------------------------|--|-------------------------------------|
| | RO’000 | RO’000 | RO’000 |
| Fair value hedges at 31 March 2022 | 169,015 | 77,000 | 246,015 |
| Fair value hedges at 31 March 2021 | 222,915 | - | 222,915 |
| Fair value hedges at 31 December 2021 | 169,015 | 77,000 | 246,015 |

Interbank Offered Rates (‘IBOR’) transition

Throughout the prior year 2021 and period ended March 2022, 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 31 March 2023.

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. 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 occurred in 2021 and period ended March 2022. 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.

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

Financial instruments impacted by Ibor reform:

| | Financial instruments yet to transition to alternative benchmarks, by main benchmark | | | |
|-------------------------------------|--|---------------|---------------|---------------|
| | USD Libor | GBP Libor | JPY Libor | Others |
| At 31 March 2022 | RO'000 | RO'000 | RO'000 | RO'000 |
| Non-derivative financial assets | 188,975 | - | - | - |
| Derivative notional contract amount | 134,750 | - | - | - |
| At 31 March 2021 | RO'000 | RO'000 | RO'000 | RO'000 |
| Non-derivative financial assets | 193,965 | - | - | - |
| Derivative notional contract amount | 134,750 | - | - | - |
| At 31 December 2021 | RO'000 | RO'000 | RO'000 | RO'000 |
| Non-derivative financial assets | 214,774 | - | - | - |
| Derivative notional contract amount | 134,750 | - | - | - |

The amounts in the above table provide an indication of the extent of the Bank's exposure to the Ibor 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 June 2023. Publication of one-week and two-month tenors will cease after 31 December 2021. This change reduces the amounts presented at 31 March 2022 in the above table as some financial instruments included at 31 December 2021 will reach their contractual maturity date prior to the extended publication dates (comparative data have not been re-presented).

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 | 31 March 2022 | | | 31 March 2021 | | | 31 December 2021 | | |
|-------------------|------------------|------------------|-----------|------------------|------------------|-----------|------------------|------------------|-----------|
| | Assets | Liabilities | | Assets | Liabilities | | Assets | Liabilities | |
| | | and equity | Mismatch | | and equity | Mismatch | | and equity | Mismatch |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| 0-6 months | 1,298,974 | 831,315 | 467,659 | 1,294,263 | 933,259 | 361,004 | 1,283,622 | 760,535 | 523,087 |
| 6-12 months | 40,969 | 301,105 | (260,136) | 63,441 | 277,583 | (214,142) | 34,625 | 309,147 | (274,522) |
| 1-3 years | 262,405 | 431,654 | (169,249) | 291,900 | 168,655 | 123,245 | 276,199 | 428,588 | (152,389) |
| 3-5 years | 227,550 | 151,785 | 75,765 | 199,452 | 394,612 | (195,160) | 207,210 | 149,626 | 57,584 |
| more than 5 years | 608,679 | 722,717 | (114,038) | 631,288 | 706,235 | (74,947) | 547,591 | 701,351 | (153,760) |
| Total | 2,438,577 | 2,438,577 | - | 2,480,344 | 2,480,344 | - | 2,349,247 | 2,349,247 | - |

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

| | 31 March 2022 | | 31 March 2021 | | 31 December 2021 | |
|---|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|
| | 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 | 245,569 | (235) | 229,325 | (210) | 282,756 | (35) |
| Due from banks | 267,228 | (50) | 219,054 | (77) | 213,730 | (30) |
| Loans and advances to customers | | | | | | |
| -WPB | 484,522 | (7,545) | 440,369 | (9,292) | 457,693 | (7,706) |
| -Wholesale | 859,432 | (31,560) | 955,723 | (40,148) | 930,888 | (33,687) |
| Other assets | 26,043 | (221) | 25,705 | (101) | 23,454 | (613) |
| Total gross carrying amount on balance sheet | 1,882,794 | (39,611) | 1,870,176 | (49,828) | 1,908,521 | (42,071) |
| Loans and other credit related commitments | 651,124 | (3,039) | 652,443 | (5,521) | 637,797 | (2,565) |
| Total nominal amount off balance sheet | 651,124 | (3,039) | 652,443 | (5,521) | 637,797 | (2,565) |
| | 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 | 556,784 | (700) | 616,904 | (714) | 448,696 | (677) |

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 2021 and 31 December 2021 – 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 2021 and 31 December 2021 –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 2022 | 31 March 2021 | 31 December 2021 |
|------------------------------|------------------|------------------|------------------|
| | 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)

The following tables set out the distribution of HBON shares ownership:

| | 31 March 2022 | | |
|-------------------|------------------------|----------------------|--------------------|
| | Number of shareholders | Total shares | % of Share Capital |
| % of Shareholding | | | |
| 5% and above | 1 | 1,020,159,523 | 51.0% |
| Less than 5% | 3,150 | 980,153,267 | 49.0% |
| Total | 3,151 | 2,000,312,790 | 100.0% |

| | 31 March 2021 | | |
|-------------------|------------------------|----------------------|--------------------|
| | Number of shareholders | Total shares | % of Share Capital |
| % of Shareholding | | | |
| 5% and above | 1 | 1,020,159,523 | 51.0% |
| Less than 5% | 3,222 | 980,153,267 | 49.0% |
| Total | 3,223 | 2,000,312,790 | 100.0% |

| | 31 December 2021 | | |
|-------------------|------------------------|----------------------|--------------------|
| | Number of shareholders | Total shares | % of Share Capital |
| % of Shareholding | | | |
| 5% and above | 1 | 1,020,159,523 | 51.0% |
| Less than 5% | 3,208 | 980,153,267 | 49.0% |
| Total | 3,209 | 2,000,312,790 | 100.0% |

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 |
|--|----------------------------|--|---------------------|------------------|-----------------|
| 31 March 2022 | | | | | |
| Loans and advances | - | - | 5,372 | 20,740 | 26,113 |
| Current, deposit and other accounts | - | 3,801 | 242 | 6,072 | 10,114 |
| Letters of credit and guarantees | - | 101,186 | - | 7,669 | 108,855 |
| Acceptances | - | - | - | 277 | 277 |
| Due from banks | - | 50,277 | - | - | 50,277 |
| Due to banks ¹ | - | 19,899 | - | - | 19,889 |
| Other assets ² | - | 696 | - | - | 696 |
| Collateral received | - | 43,429 | - | - | 43,429 |
| For the period ended 31 March 2022 | | | | | |
| Net fee income ³ | - | 4 | - | - | 4 |
| General and administrative expenses ⁴ | - | (4,208) | (9) | (28) | (4,245) |

- 1 Due to banks includes Vostro balances of RO15.8 M from HSBC affiliates and accrual of RO3.5 M for the expenses payable to HSBC Affiliates as of 31 March 2022.
- 2 Other assets of RO0.7 M represents work in progress in the development of computer softwares from HSBC affiliates as of 31 March 2022. The costs incurred will be capitalised upon completion of the project.
- 3 Net fee income includes fee expenses of RO0.1 M incurred for the indemnity received as a collateral from HSBC affiliates.
- 4 General and administrative expenses include the services obtained from HSBC Group companies, including but not limited to, the sharing in the cost of development for technology platforms, advertising, marketing research, training and other operational areas.

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 |
|--|----------------------------|---|---------------------|------------------|-----------------|
| 31 March 2021 | | | | | |
| 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 ¹ | - | 36,562 | - | - | 36,562 |
| Collateral received | - | 70,109 | - | - | 70,109 |
| For the period ended 31 March 2021 | | | | | |
| Net fee income ² | - | (61) | - | - | (61) |
| General and administrative expenses ³ | - | (4,207) | (6) | (234) | (4,447) |
| Purchase of property and equipment | - | - | - | (5) | (5) |

- 1 Due to banks includes Vostro balances of RO 34.0 M from HSBC affiliates and accrual of RO 2.5 M for the expenses payable to HSBC Affiliates as of 31 March 2021.
- 2 Net fee income includes fee expenses of RO 0.1 M incurred for the indemnity received as a collateral from HSBC affiliates.
- 3 General and administrative expenses include the services obtained from HSBC Group companies, including but not limited to, the sharing in the cost of development for technology platforms, advertising, marketing research, training and other operational areas.

| | Parent entity RO'000 | Other related group entities RO'000 | Directors RO'000 | Others RO'000 | Total RO'000 |
|-------------------------------------|----------------------------|---|---------------------|------------------|-----------------|
| As at 31 December 2021 | | | | | |
| Loans and advances | - | - | 405 | 70,221 | 70,626 |
| Current, deposit and other accounts | - | 3,504 | 276 | 20,100 | 23,880 |
| Letters of credit and guarantees | - | 160,713 | - | 6,866 | 167,579 |
| Acceptances | - | - | - | 37 | 37 |
| Due from banks | - | 41,793 | - | - | 41,793 |
| Due to banks ¹ | - | 23,564 | - | - | 23,564 |
| Collateral received | - | 47,611 | - | - | 47,611 |

- 1 Due to banks includes Vostro balances of RO20.1 million from HSBC affiliates and accrual of RO3.4 million for the expenses payable to HSBC affiliates as of 31 December 2021.

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

| | 31 March 2022 RO'000 | 31 March 2021 RO'000 | 31 December 2021 RO'000 |
|--------------------------------|-------------------------------------|----------------------------|-------------------------------|
| Purchase of loans and advances | - | - | 48,125 |

Related party loans and advances bear interest at rates between 3% p.a. and 7% p.a. (31 March 2021: between 3% p.a. and 7% p.a.). Related party deposits bear interest at rates between 0.1% p.a. and 0.7% p.a. (31 March 2021: between 0.1% p.a. and 0.5% p.a.).

Compensation of key management personnel

| | Three month period ended 31 March 2022 RO'000 | Three month period ended 31 March 2021 RO'000 |
|---|--|--|
| Wages, salaries and other short term benefits | 365 | 381 |
| Post-employment benefits | 53 | 19 |
| Total | 418 | 400 |

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

23 Operating segment

The factors used to identify the Bank's reporting segments are discussed in the 'Summary of significant accounting policies' in note 2.1 (h).

| Profit / (loss) for the period | 31 March 2022 | | | | |
|--|---------------|---------|---------|------------------|----------|
| | CMB | WPB | GB&M | Corporate center | Total |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Net interest income | 3,246 | 6,823 | 2,292 | (5) | 12,356 |
| Net fee income | 807 | 794 | 792 | (37) | 2,356 |
| Net trading income | 340 | 324 | 947 | - | 1,611 |
| Changes in fair value of financial investments measured at fair value through profit and loss | - | - | - | - | - |
| Other income | 67 | (1) | 181 | (19) | 228 |
| Net operating income before change in expected credit losses and other credit impairment charges | 4,460 | 7,940 | 4,212 | (61) | 16,551 |
| Change in expected credit losses and other credit impairment charges | (1,322) | 171 | 3,184 | - | 2,033 |
| Net operating income / (loss) | 3,138 | 8,111 | 7,396 | (61) | 18,584 |
| Total operating expenses | (2,573) | (7,201) | (1,968) | (315) | (12,057) |
| Profit / (loss) before tax | 565 | 910 | 5,428 | (376) | 6,527 |

| Profit / (loss) for the period | 31 March 2021 | | | | |
|--|---------------|---------|---------|------------------|----------|
| | CMB | WPB | GB&M | Corporate center | Total |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Net interest income | 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 income | 129 | (7) | - | (2) | 120 |
| Net operating income before change in expected credit losses and other credit impairment charges | 4,875 | 8,500 | 3,236 | (36) | 16,575 |
| Change in expected credit losses and other credit impairment charges | (776) | (145) | 3,076 | - | 2,155 |
| Net operating income / (loss) | 4,099 | 8,355 | 6,312 | (36) | 18,730 |
| Total operating expenses | (2,918) | (7,882) | (1,730) | (1,071) | (13,601) |
| Profit / (loss) before tax | 1,181 | 473 | 4,582 | (1,107) | 5,129 |

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

| Balance sheet information | 31 March 2022 | | | | |
|---------------------------------------|------------------|----------------|----------------|------------------|------------------|
| | CMB | WPB | GB&M | Corporate center | Total |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Loans and advances to customers (net) | 528,967 | 476,977 | 298,905 | - | 1,304,849 |
| Total assets | 1,007,422 | 787,844 | 529,943 | 113,368 | 2,438,577 |
| Deposits from customer | 855,340 | 589,050 | 515,130 | - | 1,959,520 |
| Total liabilities | 886,412 | 595,117 | 582,429 | 34,349 | 2,098,307 |
| | 31 March 2021 | | | | |
| Loans and advances to customers (net) | 545,252 | 431,100 | 370,300 | - | 1,346,652 |
| Total assets | 1,128,523 | 661,612 | 582,979 | 107,230 | 2,480,344 |
| Deposits from customer | 910,984 | 632,555 | 458,535 | - | 2,002,074 |
| Total liabilities | 943,264 | 643,630 | 543,876 | 18,601 | 2,149,371 |
| | 31 December 2021 | | | | |
| Loans and advances to customers (net) | 537,321 | 449,986 | 359,881 | - | 1,347,188 |
| Total assets | 1,068,512 | 656,087 | 529,609 | 95,039 | 2,349,247 |
| Deposits from customer | 875,069 | 583,275 | 442,750 | - | 1,901,094 |
| Total liabilities | 899,657 | 588,486 | 487,873 | 27,744 | 2,003,760 |

Other financial information

| Net operating income by global business | 31 March 2022 | | | | |
|---|---------------|--------|---------|------------------|--------|
| | CMB | WPB | GB&M | Corporate center | Total |
| | RO'000 | RO'000 | RO'000 | RO'000 | RO'000 |
| Net operating income ¹ | 4,460 | 7,940 | 4,212 | (61) | 16,551 |
| - external | 4,348 | 7,490 | 4,818 | (105) | 16,551 |
| - internal | 112 | 450 | (606) | 44 | - |
| | 31 March 2021 | | | | |
| Net operating income | 4,875 | 8,500 | 3,236 | (36) | 16,575 |
| - external | 5,012 | 7,197 | 4,455 | (89) | 16,575 |
| - internal | (137) | 1,303 | (1,219) | 53 | - |

¹ Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.

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

24 Capital Adequacy Ratio (CAR)

The Bank's objective is to ensure that capital resources are at all times adequate and efficiently used. Bank's approach to managing capital is designed to ensure that we exceed current regulatory requirements and are well placed to meet changes to such requirements which are expected in the foreseeable future. The Bank's policy on capital management is underpinned by a capital management process and the internal capital adequacy assessment process, which enables it to manage its capital in a consistent manner.

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 CAR of 12.25% including capital conservation buffer. (31 March 2021: 12.25% and 31 December 2021:12.25%) 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. 0% for 2022) and incremental Stage 2 ECLs of 2020, 2021 and 2022 to be added back 60% in 2022 and same will be phase-out by 2024.

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---------------------------------|----------------|----------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| CET 1 / Tier 1 capital | 330,551 | 321,015 | 330,783 |
| Tier 2 capital (T2) | 5,284 | 16,112 | 10,307 |
| Total regulatory capital | 335,835 | 337,127 | 341,090 |
| Risk-weighted assets | 1,546,338 | 1,612,598 | 1,500,051 |
| CET 1 / Tier 1 capital ratio | 21.38% | 19.91% | 22.05% |
| Total CAR | 21.72% | 20.91% | 22.74% |

If the bank would not have applied the prudential filter as explained above, the Capital adequacy ratio for 31 March 2022 works out as below;

| | 31 March 2022 | 31 March 2021 | 31 December 2021 |
|---------------------------------|----------------|----------------|------------------|
| | RO'000 | RO'000 | RO'000 |
| CET 1 / Tier 1 capital | 330,551 | 321,015 | 330,783 |
| Tier 2 capital (T2) | 4,107 | 12,731 | 8,481 |
| Total regulatory capital | 334,658 | 333,746 | 339,264 |
| Risk-weighted assets | 1,546,338 | 1,612,598 | 1,500,051 |
| CET 1 / Tier 1 capital ratio | 21.38% | 19.91% | 22.05% |
| Total CAR | 21.64% | 20.70% | 22.62% |

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

25 Cash and cash equivalents

| | 31 March 2022 | 31 March 2021 |
|---|------------------|------------------|
| | RO'000 | RO'000 |
| 25(a) Non-cash items included in profit before tax Notes | | |
| Change in expected credit losses and other credit impairment charges | 6 | (2,155) |
| Depreciation of property and equipment | (2,033) | (2,155) |
| Amortisation of discount on financial investment | 462 | 827 |
| Employer's current service cost with interest | (150) | (7) |
| Loss on disposal of property and equipment | 66 | 64 |
| Total | 15 | 5 |
| | (1,640) | (1,266) |
| 25(b) Change in operating assets | | |
| Change in loans and advances to customers-net | 31 March 2022 | 31 March 2021 |
| Change in other assets | RO'000 | RO'000 |
| Total | 44,372 | 18,988 |
| | (7,713) | (8,066) |
| | 36,659 | 10,922 |
| 25(c) Change in operating liabilities | | |
| Change in due to banks | 31 March 2022 | 31 March 2021 |
| Change in deposits from customers | RO'000 | RO'000 |
| Change in other liabilities | 21,814 | 20,764 |
| Total | 58,426 | 96,303 |
| | 2,069 | 3,295 |
| | 82,309 | 120,362 |
| 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: | | |
| Interim condensed statement of financial position (unaudited) comprise: | 31 March 2022 | 31 March 2021 |
| Cash and balances with central bank | RO'000 | RO'000 |
| Due from banks | 245,334 | 229,115 |
| Financial investments - original maturities of three months or less | 267,178 | 218,977 |
| Total | 393,887 | 539,864 |
| | 906,399 | 987,956 |

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

26 Corresponding figures

Cash and cash equivalent in the statement of cash flow as at 31 December 2020, has been restated in accordance with IFRS International Interpretations Committee discussion as below (refer note 25(d)):

| | As previously stated | Restated |
|---|-------------------------|----------|
| | RO'000 | RO'000 |
| Statement of financial position items comprise: | | |
| Cash and balances with central bank | 220,485 | 220,485 |
| Due from banks | 227,448 | 227,448 |
| Financial investments - original maturities of three months or less | 415,548 | 415,548 |
| Due to banks | (63,774) | - |
| | 799,707 | 863,481 |

Such reclassifications have not resulted in any change in the prior period reported primary statements other than the impact on the operating cash flows within the cash flow statements for the period.

27 Other Information

Liquidity coverage ratio (LCR)

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 a minimum LCR of 100% for 2022 (for 31 March 2021: 100%) in accordance with CBO stipulated guidelines. The Bank's average LCR as of 31 March 2022 was 253% (31 March 2021 – 259%)

Liquidity coverage ratio disclosure for the period ended 31 March 2022:

| | 31 March 2022 | |
|---|---|---|
| | Total Unweighted Value (average*) RO'000 | Total Weighted Value (average*) RO'000 |
| High quality liquid assets | | |
| 1 Total High quality liquid assets (HQLA) | | 691,748 |
| Cash outflows | | |
| 2 Retail deposits and deposits from small business customers, of which: | 587,505 | 43,828 |
| 3 - Stable deposits | 298,442 | 14,922 |
| 4 - Less stable deposits | 289,063 | 28,906 |
| 5 Unsecured wholesale funding, of which: | 1,017,597 | 452,918 |
| 6 - Operational deposits (all counterparties) and deposits in networks of cooperative banks | - | - |
| 7 - Non-operational deposits (all counterparties) | 1,017,597 | 452,918 |
| 8 - Unsecured debt | - | - |
| 9 Secured wholesale funding | - | - |
| 10 Additional requirements, of which | 75,783 | 7,393 |
| 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 | 75,783 | 7,393 |
| 14 Other cash outflows | 35,811 | 35,811 |
| 15 Other contingent funding obligations | 993,777 | 49,689 |
| 16 Total cash outflows (2+5+10+15) | - | 589,639 |
| Cash inflows | | |
| 17 Secured lending (e.g. reverse repos) | - | - |
| 18 Inflows from fully performing exposures | 310,887 | 280,630 |
| 19 Other cash inflows | 35,413 | 35,413 |
| 20 Total cash inflows (17+18+19) | 346,300 | 316,043 |
| 21 Total HQLA | - | 691,748 |
| 22 Total net cash outflows (16-20) | - | 273,808 |
| 23 Liquidity coverage ratio (21/22) | - | 253% |

*simple average of daily observations over the last three month (Jan – Mar 2022).

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

Net Stable Funding Ratio (NSFR)

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 Banks are required to maintain a minimum NSFR of 100% for 2022 (for 31 March 2021: 100%) in accordance with CBO stipulated guidelines. The Bank's NSFR as of 31 March 2022 was 154.8% (31 March 2021 – 152.0%)

Net Stable Funding Ratio disclosure for the period ended 31 March 2022:

| | 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: | 345,559 | - | - | - | 345,559 |
| 2 | Regulatory capital | 338,592 | - | - | - | 338,592 |
| 3 | Other capital instruments | 6,967 | - | - | - | 6,967 |
| 4 | Retail deposits and deposits from small business customers | 557,151 | 10,274 | 9,282 | 11,150 | 545,009 |
| 5 | Stable deposits | 296,469 | 2 | 1 | - | 281,648 |
| 6 | Less stable deposits | 260,682 | 10,272 | 9,281 | 11,150 | 263,361 |
| 7 | Wholesale funding: | 1,014,493 | 51,797 | 35,240 | 340,389 | 891,154 |
| 8 | Operational deposits | 70,257 | - | - | - | 35,129 |
| 9 | Other wholesale funding | 944,236 | 51,797 | 35,240 | 340,389 | 856,025 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | 42,975 | 29,798 | 492 | 6,822 | - |
| 12 | NSFR derivative liabilities | - | 1,572 | - | - | - |
| 13 | All other liabilities and equity not included in above categories | 42,975 | 28,226 | 492 | 6,822 | - |
| 14 | Total ASF | | | | | 1,781,722 |
| | Require Stable Funding (RSF) items | | | | | |
| 15 | Total NSFR high-quality liquid assets (HQLA) | | | | | 27,829 |
| 16 | Deposits held at other financial institutions for operational purposes | 44,465 | - | - | - | 22,233 |
| 17 | Performing loans and securities: | 206 | 639,853 | 21,524 | 869,929 | 978,839 |
| 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 | - | 216,192 | - | - | 33,414 |
| 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 | - | 421,291 | 20,216 | 755,346 | 888,868 |
| 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: | - | 2,370 | 1,308 | 114,583 | 56,381 |
| 23 | - With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | 2,370 | 1,308 | 83,911 | 54,542 |

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 | 206 | - | - | - | 175 |
| 25 | Assets with matching interdependent liabilities | - | - | - | - | - |
| 26 | Other Assets: | 30,066 | 25,550 | 492 | 13,551 | 69,659 |
| 27 | Physical traded commodities, including gold | - | - | - | - | - |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | - | - | - | - | - |
| 29 | NSFR derivative assets | - | - | - | - | - |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | - | - | - | - | - |
| 31 | All other assets not included in the above categories | 30,066 | 25,550 | 492 | 13,551 | 69,659 |
| 32 | Off-balance sheet items | - | 589,171 | 164,208 | 295,759 | 52,457 |
| 33 | TOTAL RSF | - | - | - | - | 1,151,017 |
| 34 | NET STABLE FUNDING RATIO (%) | - | - | - | - | 154.8 |

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

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 Banks are required to maintain a minimum Leverage ratio of 4.5% for 2022 (for 31 March 2021: 4.5%) in accordance with CBO stipulated guidelines. The Bank's leverage ratio as of 31 March 2022 was 11.6% (31 March 2021 – 11.0%)

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

| Item | As at 31.03.2022 |
|--|------------------|
| 1 Total consolidated assets as per published financial statements | 2,438,577 |
| 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 | 1,391 |
| 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) | 418,654 |
| 7 Other adjustments | (2,578) |
| 8 Leverage ratio exposure | 2,856,044 |

Table 2: Leverage ratio common disclosure template

| Item | As at 31.03.2022 |
|--|------------------|
| 1 On-balance sheet items (excluding derivatives and SFTs, but including collateral) | 2,434,183 |
| 2 (Asset amounts deducted in determining Basel III Tier 1 capital) | (2,578) |
| 3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 2,431,605 |
| Derivative Exposures | |
| 4 Replacement cost associated with <i>all</i> derivatives transactions (i.e., net of eligible cash variation margin) | 4,394 |
| 5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions | 1,391 |
| 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) | 5,785 |
| 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 | 1,070,377 |
| 18 (Adjustments for conversion to credit equivalent amounts) | (651,723) |
| 19 Off-balance sheet items (sum of lines 17 and 18) | 418,654 |
| Capital and total exposures | |
| 20 Tier 1 capital | 330,551 |
| 21 Total exposures (sum of lines 3, 11, 16 and 19) | 2,856,044 |
| Leverage Ratio | |
| 22 Basel III leverage ratio (%) | 11.6 |

HSBC Bank Oman S.A.O.G.

P.O. Box 1727
P.C. 111.
Sultanate of Oman
www.hsbc.co.om