

HSBC Bank Oman S.A.O.G.

Interim Condensed Financial Information

31 March 2023

Interim Condensed Financial Information – 31 March 2023

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Presentation of information

This document comprises the Interim Condensed Financial Information – 31 March 2023 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 and the Summary of Unaudited Results.

Board of Directors' Report for the three months ended 31 March 2023

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Bank's first Quarter financial results for 2023.

Performance Summary

Our first quarter performance shows a 125.9% increase in net profit to RO12.2 M compared with RO5.4 M for the same period in 2022. This has been primarily driven by a 42.8% growth in net operating income (before Expected Credit Losses "ECL") and lower operating expenses.

Net interest income was up 60.5% to RO19.9 M for the period ended 31 March 2023 compared with RO12.4 M for the same period in 2022 mainly due to higher interest income from the favourable interest rate environment partly offset by higher interest expense on our deposits. Net fee income was RO2.0 M for the period ended 31 March 2023 compared with RO2.4 M for the same period in 2022 due to lower fees from cards.

Net trading income stood at RO1.6 M for the period ended 31 March 2023 remaining relatively flat year on year.

A net release of RO0.4 M has been reported to the Bank's ECL and other credit impairment charges compared with a net release of RO2.0 M for the same period last year. The Bank released RO0.3 M of Wholesale ECL and RO0.1 M of Retail ECL. The ECL release was driven by the improvement in the macro-economic environment.

Operating expenses reduced by 6.6% to RO11.3 M compared with RO12.1 M for the same period in 2022 primarily due to lower IT related costs.

Loans and advances to customers decreased by 11.3% to RO1,157.1 M compared with RO1,304.8 M as at 31 March 2022.

Customer deposits decreased by 1.1% to RO1,938.1 M compared to the same period last year. Our liquidity remains strong, as evidenced by an Advances to Deposit ratio (ADR) of 59.7% at the end of March 2023.

HBON's Capital Adequacy Ratio (CAR) stood at 24.5% as at 31 March 2023 compared with 21.7% as at 31 March 2022.

Delivering the best customer experience

In Wealth and Personal Banking (WPB), we have seen continued momentum for the acquisition of new customers leveraging our Employee Banking Solution programme. We also launched a new Advance and Premier "New to Bank" customer acquisition campaign. We have also continued our focus on improving customer experience and have seen further quarter on quarter improvement in our Net Promoter Score (a key indicator of customer satisfaction) as a result.

In the Wholesale business, in March 2023 we acted as Mandated Lead Arranger and Structuring Bank for the amend and extend of the USD 155 million syndicated pre-export finance facility for Mazoon Petrogas. The Facility is structured as a USD 155 million 7.5 year senior secured amortizing Pre-Export Financing term loan ("PXF") repaid by secured crude oil proceeds from an A-rated Asian off-taker.

HSBC Oman has again been voted by customers as the leading trade finance bank in Oman and as Best Service in Euromoney's Trade Finance Survey 2023. HSBC was also voted the Best Bank for trade finance bank in the Middle East region. 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.

Corporate Sustainability

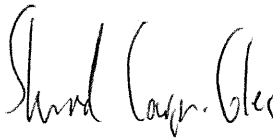
In partnership with the Children First Association, we conducted a series of workshops for children aged 7 to 12 years old at the Children's Public Library in Muscat. The workshops aimed to build a creative environment where children can learn to innovate, thrive by acquiring knowledge, tap into their creativity and become responsible citizens of the world.

Similar sessions were also conducted in Masirah Island where we hosted learning sessions for more than 200 children in cooperation with the Directorate General of Education in Al Sharqiya Region.

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 2023

	31 March 2023	31 March 2022	Change (%)
	RO'000	RO'000	
Loans and advances to customers – net	1,157,086	1,304,849	(11.3)%
Customer deposits	1,938,071	1,959,520	(1.1)%
Net assets	355,639	340,270	4.5%
Net assets per share*	0.178	0.170	4.7%

	Three month	Three month	Change (%)
	period ended 31	period ended 31	
	March 2023	March 2022	
	RO'000	RO'000	
Net interest income	19,892	12,356	61.0%
Profit for the period	12,217	5,395	126.5%
Earnings per share (annualised)**	0.024	0.011	118.2%
Capital adequacy ratio (CAR)***	24.5%	21.7%	2.8%

* Net assets (book value) per share is calculated by dividing the net assets 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.

Interim condensed statement of comprehensive income for the three month period ended 31 March 2023 (unaudited)

		Three month period ended 31 March 2023	Three month period ended 31 March 2022
	Notes	RO'000	RO'000
Interest income	3	26,613	16,082
Interest expense	4	(6,721)	(3,726)
Net interest income		19,892	12,356
Fee income		3,540	3,199
Fee expense		(1,577)	(843)
Net fee income	5	1,963	2,356
Net trading income		1,639	1,611
Other operating income – net		250	228
Net operating income before loan impairment charges and other credit risk provisions		23,744	16,551
Change in expected credit losses and other credit impairment charges – net	6	428	2,033
Net operating income		24,172	18,584
Employee compensation and benefits	7(a)	(5,383)	(5,354)
General and administrative expenses	7(b)	(5,453)	(6,241)
Depreciation and impairment of property, equipment and right-of-use assets		(419)	(462)
Amortisation of intangible assets		(32)	-
Total operating expenses		(11,287)	(12,057)
Profit before tax		12,885	6,527
Tax expense		(668)	(1,132)
Profit for the period		12,217	5,395
Other comprehensive income / (loss)			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Debt instruments at fair value through other comprehensive income			
-Fair value gain		58	196
-Expected credit losses recognised in income statement		59	23
- Tax expense		(9)	(29)
Other comprehensive income for the period - net of tax		108	190
Total comprehensive income for the period		12,325	5,585
Earnings per share – basic and diluted	8		
-for the period (RO)		0.006	0.003
-annualised (RO)		0.024	0.011

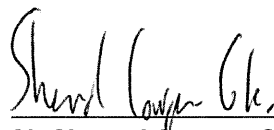
The accompanying notes form an integral part of this interim condensed financial information.

Interim condensed statement of financial position as at 31 March 2023 (unaudited)

		At 31 March 2023	At 31 March 2022	Audited At 31 December 2022
	Notes	RO'000	RO'000	RO'000
Assets				
Cash and balances with central banks		263,884	245,334	123,003
Due from banks		317,098	267,178	283,756
Loans and advances to customers - net	9	1,157,086	1,304,849	1,247,387
Financial investments	10	652,211	556,784	538,213
Other assets	11	22,499	38,755	26,304
Intangible assets	12	933	-	965
Property and equipment	13	17,418	20,273	17,669
Right-of-use assets		2,238	2,826	2,396
Deferred tax assets		1,881	2,578	1,935
Total assets		2,435,248	2,438,577	2,241,628
Liabilities and equity				
Liabilities				
Due to banks		72,934	70,258	46,762
Deposits from customers	14	1,938,071	1,959,520	1,765,275
Current tax liabilities		7,464	6,822	6,936
Other liabilities	15	59,006	59,031	61,000
Lease liabilities		2,134	2,676	2,338
Total liabilities		2,079,609	2,098,307	1,882,311
Equity				
Share capital	21	200,031	200,031	200,031
Legal reserve	22(a)	50,448	47,777	50,448
FVOCI reserve	22(b)	218	1,570	110
Retained earnings		104,942	90,892	108,728
Total equity		355,639	340,270	359,317
Total liabilities and equity		2,435,248	2,438,577	2,241,628

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

The interim condensed financial information were authorised for issue on 27 April 2023 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 2023 (unaudited)

	Share capital RO'000	Legal reserve RO'000	FVOCI reserve RO'000	Retained earnings RO'000	Total RO'000
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
At 1 January 2023	200,031	50,448	110	108,728	359,317
Total comprehensive income for the period					
Profit for the period	-	-	-	12,217	12,217
Other comprehensive income for the period					
Net movement in fair value of debt instruments carried at FVOCI (net of tax)	-	-	108	-	108
Total other comprehensive income for the period	-	-	108	-	108
Total comprehensive income for the period	-	-	108	12,217	12,325
Transaction with shareholders, recorded directly in equity					
Dividend for 2022	-	-	-	(16,003)	(16,003)
At 31 March 2023	200,031	50,448	218	104,942	355,639

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 2023
(unaudited)**

		Three month period ended 31 March 2023	Three month period ended 31 March 2022
	Notes	RO'000	RO'000
Cash flows from operating activities			
Profit before tax		12,885	6,527
Adjustments for:			
-non-cash items included in profit before tax	26(a)	(908)	(1,640)
-change in operating assets	26(b)	73,245	36,659
-change in operating liabilities	26(c)	181,165	82,661
-tax paid		(95)	-
-retirement benefits paid		(182)	(83)
Net cash generated from operating activities		266,110	124,124
Cash flows from investing activities			
Purchase of financial investments		(82,839)	(34,851)
Proceeds from maturity of financial investments		-	60
Purchase of property, equipment and software	13	-	(201)
Net cash used in investing activities		(82,839)	(34,992)
Cash flows used in financing activities			
Principal and interest elements of lease payments		(270)	(352)
Net cash used in financing activities		(270)	(352)
Net change in cash and cash equivalents		183,001	88,780
Cash and cash equivalents at the beginning of the period		842,563	817,619
Cash and cash equivalents at the end of the period	26(d)	1,025,564	906,399

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

1 Legal status and activities

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

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

2 Basis of preparation and accounting policies

2.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The interim condensed financial information of the Bank has been prepared in accordance with 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 2022 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, valuation of financial instruments and applicability of IFRS 5 'Non - current assets held for sale and discontinued operations', refer note 2.1 (g) Going concern for details.

(e) Standards applicable during the period

There were no new accounting standards or interpretations that had a significant effect on the Bank during the period ended 31 March 2023.

(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 2022.

A number of other new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023. 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.

IFRS 5 – ‘Non - current assets held for sale and discontinued operations’

On 15 November 2022, HBON entered into a binding merger agreement (the “Merger Agreement”) with Sohar International Bank (SI), under which the two banks have agreed to take the necessary steps to implement a merger by incorporation. On 05 February 2023, the Bank has received approval from the Central Bank of Oman for its proposed merger with Sohar International Bank SAOG.

The merger is expected to complete in the second half of 2023, if approved by other relevant regulatory bodies and the respective shareholders of the two entities at their Extraordinary General Meetings.

If the merger goes ahead, all of the assets and liabilities of HBON would be transferred to SI at carrying amounts and HBON would be dissolved.

There is significant judgment involved in the application of IFRS 5 guidance in respect of whether the Bank has met all the conditions relevant to the disposal group at the reporting date. As part of the ongoing assessment, the Board of Directors have determined that the disposal was not highly probable as at 31 March 2023 as the transaction is still subject to final approvals from the banks’ respective Boards, Regulators and Shareholders. Accordingly, as at 31 March 2023, the Bank believes that the IFRS 5 criteria have not been met in respect of the potential merger.

(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.

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

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 2022.

3 Interest income

Interest earning assets earned interest at an overall annualised rate of 4.92% for the three month period ended 31 March 2023 (31 March 2022 – 3.00%).

	Three month period ended 31 March 2023	Three month period ended 31 March 2022
	RO'000	RO'000
Loans and advances to customers	16,069	13,787
Financial investments	6,578	1,573
Due from banks	3,963	86
Others	3	636
Total	26,613	16,082

4 Interest expense

For the three month period ended 31 March 2023, the average overall annualised cost of funds was 1.41% (31 March 2022 – 0.75%).

	Three month period ended 31 March 2023	Three month period ended 31 March 2022
	RO'000	RO'000
Deposits from customers	(5,369)	(3,606)
Due to banks	(47)	(77)
Others	(1,305)	(43)
Total	(6,721)	(3,726)

5 Net fee income

	Three month period ended 31 March 2023	Three month period ended 31 March 2022
	RO'000	RO'000
Cards	1,127	1,037
Account services	460	312
Remittances	337	311
Trade finance	269	273
Credit facilities	268	190
Global Custody	127	165
Others	952	911
Total Fee income	3,540	3,199
Fee expense	(1,577)	(843)
Net Fee income	1,963	2,356

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

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

	Three month period ended 31 March 2023	Three month period ended 31 March 2022
	RO'000	RO'000
Loans and advances to customer	563	2,346
Financial investments at FVOCI	(59)	(23)
Other financial assets	(30)	172
Financial investments at Amortised Cost	(23)	-
Loan commitment and guarantees	(16)	(470)
Due from banks	(7)	8
Total	428	2,033

7 Operating expenses**7(a) Employee compensation and benefits**

	Three month period ended 31 March 2023	Three month period ended 31 March 2022
	RO'000	RO'000
Wages and salaries	(4,003)	(3,959)
Social security costs	(393)	(415)
Post-employment benefits	(55)	(66)
Other employee benefits	(932)	(914)
Total	(5,383)	(5,354)

7 (b) General and administrative expenses

	Three month period ended 31 March 2023	Three month period ended 31 March 2022
	RO'000	RO'000
Premises and equipment	(429)	(709)
Insurance	(272)	(271)
Communications	(224)	(193)
Marketing and advertising	(16)	(143)
Other administrative expenses	(4,512)	(4,925)
Total	(5,453)	(6,241)

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 2023	Three month period ended 31 March 2022	Year ended 31 December 2022
Weighted average number of shares in issue ('000)	2,000,312	2,000,312	2,000,312
Profit for the period / year (RO'000)	12,217	5,395	26,709
Earnings per share – basic and diluted (RO)			
- for the period / year	0.006	0.003	0.013
- annualised	0.024	0.011	0.013

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

9 Loans and advances to customers - net

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Loans	944,779	1,094,776	1,042,529
Overdrafts	173,352	153,722	157,968
Clean import loans	50,411	67,900	52,904
Credit cards	34,834	28,299	40,907
Bills discounted / purchased	4,456	13,554	3,108
Gross loans and advances	1,207,832	1,358,251	1,297,416
Allowances for ECL	(34,706)	(39,105)	(35,283)
Reserved interest*	(16,040)	(14,297)	(14,746)
Loans and advances (net)	1,157,086	1,304,849	1,247,387

* 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 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Balance at the beginning of the period / year	14,746	13,244	13,244
Reserved during the period / year	1,376	1,131	3,094
Released to the statement of comprehensive income	(78)	(77)	(553)
Written off during the period / year	(4)	(1)	(1,039)
Balance at the end of the period / year	16,040	14,297	14,746

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 2023;

and guarantees at 31 March 2023,

	Non credit - impairment				Credit impairment			
	Stage 1		Stage 2		Stage 3		Total	
	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 2023	1,605,721	2,231	550,467	13,472	44,705	22,308	2,200,893	38,011
-Transfers from stage 1 to stage 2	(10,002)	(10)	10,002	10	-	-	-	-
-Transfers from stage 2 to stage 1	7,851	94	(7,851)	(94)	-	-	-	-
-Transfers to stage 3	-	-	(1,387)	(134)	1,387	134	-	-
-Transfers from stage 3	-	-	1,035	330	(1,035)	(330)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(50)	-	64	-	3	-	17
Net new and further lending / (repayments) and changes to risk parameters	(85,255)	(81)	16,293	(593)	265	699	(68,697)	25
Assets written off	-	-	-	-	(599)	(595)	(599)	(595)
At 31 March 2023	1,518,315	2,184	568,559	13,055	44,723	22,219	2,131,597	37,458
ECL release / (charge) for the period		131		529		(702)		(42)
Recoveries		-		-		582		582
Total ECL release / (charge) for the period		131		529		(120)		540

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 2023 (continued);

	At 31 March 2023		For the period ended 31 March 2023
	Gross carrying / nominal amount	Allowance for ECL	ECL release / (charge)
	RO'000	RO'000	RO'000
As above	2,131,597	37,458	540
Other financial assets measured at amortised cost	389,777	193	(53)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied / Summary income statement	2,521,374	37,651	487
Debt instruments measured at FVOCI (note 10)	543,478	206	(59)
Total allowance for ECL / total profit or loss ECL release for the period	3,064,852	37,857	428

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 and further 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

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 10)	556,784	700	(23)
Total allowance for ECL / total profit or loss ECL release 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 2022;

	Non credit - impairment				Credit impairment			
	Stage 1		Stage 2		Stage 3		Total	
	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	(112,245)	(360)	112,245	360	-	-	-	-
-Transfers from stage 2 to stage 1	435,332	1,417	(435,332)	(1,417)	-	-	-	-
-Transfers to stage 3	-	-	(11,917)	(1,070)	11,917	1,070	-	-
-Transfers from stage 3	-	-	6,085	2,108	(6,085)	(2,108)	-	-
Net remeasurement of ECL arising from transfer of stage	-	(618)	-	1,295	-	70	-	747
Net new and further lending / (repayments) and changes to risk parameters	(50,181)	(2,833)	4,773	(4,560)	(3,118)	3,563	(48,526)	(3,830)
Assets written off	-	-	-	-	(3,933)	(2,894)	(3,933)	(2,894)
At 31 December 2022	1,605,721	2,231	550,467	13,472	44,705	22,308	2,200,893	38,011
ECL release / (charge) for the year		3,451		3,265		(3,633)		3,083
Recoveries		-		-		2,873		2,873
Total ECL release / (charge) for the year		3,451		3,265		(760)		5,956

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 2022 (continued);

	At 31 December 2022		For the year ended 31 December 2022
	Gross carrying / nominal amount	Allowance for ECL	ECL release / (charge)
	RO'000	RO'000	RO'000
As above	2,200,893	38,011	5,956
Other financial assets measured at amortised cost	218,577	143	502
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied / Summary income statement	2,419,470	38,154	6,458
Debt instruments measured at FVOCI (note 10)	463,804	147	530
Total allowance for ECL / total profit or loss ECL charge for the year	2,883,274	38,301	6,988

Methodology for Developing Forward Looking Economic Scenarios

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 described below. 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 with the use of management judgment, which may result in using alternative or additional economic scenarios and/or management adjustments.

The Bank has adopted the use of multiple economic scenarios to reflect assumptions about future economic conditions. Four economic scenarios are typically used to capture the current economic environment and to articulate management's view of the range of potential outcomes. Scenarios produced to calculate ECL are aligned to Bank's top and emerging risks. Three of the scenarios are drawn from consensus forecasts and distributional estimates. The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting, while the outer scenarios represent the tails of the distribution, which are less likely to occur. The Central scenario is created using the average of a panel of external forecasters.

For the Central scenario, the Bank sets key economic assumptions such as GDP growth and oil price using either the average of external economist forecasts (commonly referred to as consensus forecasts) for most economies, or market prices helping to ensure that the IFRS 9 scenarios are unbiased and maximise the use of independent information. An external provider's global macro model, conditioned to follow the consensus forecasts, projects the other paths required as inputs to credit models. This external provider is subject to the HSBC group's risk governance framework, with oversight by a specialist internal unit.

The Upside and Downside scenarios are designed to be cyclical, in that assumptions such as GDP growth usually revert back to the Central scenario after the first three years for major economies. We determine the maximum divergence of GDP growth from the Central scenario using the 10th and the 90th percentile of the entire distribution of forecast outcomes for major economies. We use externally available forecast distributions to help ensure independence in scenario construction. While key economic variables are set with reference to external distributional forecasts, we also align the overall narrative of the scenarios to the macroeconomic risks captured in the group's Top and Emerging Risks. This ensures that scenarios remain consistent with the more qualitative assessment of these risks. We project additional variable paths using the external provider's global macro model.

The forecast macro-economic scenarios have continued to show improvement; therefore, the management has decided to increase the probability weight of the Central scenario at 31 December 2022 and continued with same as at 31 March 2023 due to higher confidence in the forecast outcomes.

The scenarios weighting as at 31 March 2023 and comparative periods are as below;

	31 March 2023	31 March 2022	31 December 2022
Consensus Central scenario	85%	65%	85%
Consensus Upside scenario	5%	5%	5%
Consensus Downside 1a scenario	5%	20%	5%
Downside 2 scenario	5%	5%	5%

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 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
0-5%	591,049	1,032,554	579,210
5-7%	357,211	267,889	426,128
7-10%	212,753	18,800	241,510
10-13%	4,713	2,098	2,371
More than 13%	42,106	36,910	48,197
Total	1,207,832	1,358,251	1,297,416

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

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
0-6 months	362,614	320,575	283,566
6-12 months	29,951	31,347	133,250
1-3 years	69,899	217,095	86,612
3-5 years	213,969	177,868	201,000
More than 5 years	480,653	557,964	542,957
Total	1,157,086	1,304,849	1,247,385

Concentration of loans and advances:

Loans and advances to customers by industry sector

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Personal and consumer loans	463,972	485,382	475,905
Corporate and commercial			
Import trade	124,554	125,746	116,413
Manufacturing	123,507	170,983	134,133
Construction	85,942	102,663	96,538
Wholesale and retail trade	65,448	38,594	27,116
Services	45,776	84,498	64,311
Mining and quarrying	24,101	26,889	23,205
Electricity, gas, water, transportation and communication	2,880	53,487	53,360
Others	271,652	262,675	306,435
	743,860	865,535	821,511
Financial institutions	-	7,334	-
Total gross loans and advances	1,207,832	1,358,251	1,297,416
ECL allowances	(34,706)	(39,105)	(35,283)
Reserved interest	(16,040)	(14,297)	(14,746)
Net loans and advances	1,157,086	1,304,849	1,247,387
Non-Performing Loans (NPL)	42,266	67,532	41,926

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

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

As of 31 March 2023	As per CBO norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Change in expected credit losses and other credit impairment charges*	1,118	428	(690)
Provisions required**	51,481	53,897	2,416
Gross NPL ratio (percentage)	3.50%	3.50%	-
Net NPL ratio (percentage)	0.66%	0.56%	(0.10)%

As of 31 March 2022	As per CBO norms RO'000	As per IFRS 9 RO'000	Difference 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 December 2022	As per CBO norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Change in expected credit losses and other credit impairment charges*	2,751	6,988	4,237
Provisions required**	51,305	53,047	1,742
Gross NPL ratio (percentage)	3.23%	3.23%	-
Net NPL ratio (percentage)	0.62%	0.53%	(0.09)%

*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 RO16.0 M (31 March 2022: RO14.3 million and 31 December 2022 RO14.7 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 2023

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provisions held as per IFRS 9	Difference between CBO provision required and provision held	Net carrying amount	Reserve interest as per CBO norms
(1)	(2)	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
		(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
Standard	Stage 1	715,022	10,374	1,763	8,611	713,259	24
	Stage 2	416,040	4,278	6,981	(2,703)	409,059	508
	Stage 3	-	-	-	-	-	-
		1,131,062	14,652	8,744	5,908	1,122,318	532
Special mention	Stage 1	-	-	-	-	-	-
	Stage 2	33,236	335	3,975	(3,640)	29,261	1,341
	Stage 3	1,268	72	335	(263)	933	43
		34,504	407	4,310	(3,903)	30,194	1,384
Substandard	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	949	237	448	(211)	501	62
		949	237	448	(211)	501	62
Doubtful	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	146	61	76	(15)	70	25
		146	61	76	(15)	70	25
Loss	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	41,171	20,084	21,128	(1,044)	20,043	14,037
		41,171	20,084	21,128	(1,044)	20,043	14,037
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	1,733,101	-	803	(803)	1,732,298	-
	Stage 2	122,730	-	2,116	(2,116)	120,614	-
	Stage 3	1,189	-	232	(232)	957	-
		1,857,020	-	3,151	(3,151)	1,853,869	-
Total	Stage 1	2,448,123	10,374	2,566	7,808	2,445,557	24
	Stage 2	572,006	4,613	13,072	(8,459)	558,934	1,849
	Stage 3	44,723	20,454	22,219	(1,765)	22,504	14,167
	Total	3,064,852	35,441	37,857	(2,416)	3,026,995	16,040

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	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
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7) = (3)-(5)	(8)
	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		3,104,998	38,502	43,350	(4,848)	3,061,648	14,297

Comparison of provision held as per IFRS 9 and provision required as per CBO norms (as per CBO illustrative disclosure) as of 31 December 2022

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
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7) = (3)-(5)	(8)
	Stage 1	2,281,651	11,794	2,504	9,290	2,279,147	44
	Stage 2	556,918	4,200	13,490	(9,290)	543,428	1,050
	Stage 3	44,705	20,565	22,307	(1,742)	22,398	13,652
Total		2,883,274	36,559	38,301	(1,742)	2,844,973	14,746

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

Restructured loans and advances (as per CBO illustrative disclosure) as of 31 March 2023

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required and provision held RO'000	Net carrying amount RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
Classified as performing	Stage 1	16,108	161	92	69	16,016	-
	Stage 2	25,146	251	5,023	(4,772)	20,123	1,329
	Stage 3	1,268	72	335	(263)	933	42
	Sub Total	42,522	484	5,450	(4,966)	37,072	1,371
Classified as non-performing	Stage 1	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-
	Stage 3	16,403	10,388	11,562	(1,174)	4,841	1,269
	Sub Total	16,403	10,388	11,562	(1,174)	4,841	1,269
Total	Stage 1	16,108	161	92	69	16,016	-
	Stage 2	25,146	251	5,023	(4,772)	20,123	1,329
	Stage 3	17,671	10,460	11,897	(1,437)	5,774	1,311
	Total	58,925	10,872	17,012	(6,140)	41,913	2,640

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	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
		RO'000	RO'000	RO'000	RO'000	RO'000	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
	Stage 3	18,288	9,141	11,625	(2,484)	6,663	1,108
Total		68,367	9,641	12,931	(3,290)	55,436	1,239

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

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
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(5)	(8)
	Stage 1	31,965	320	175	145	31,790	-
	Stage 2	24,175	242	5,011	(4,769)	19,164	574
	Stage 3	17,960	10,695	12,023	(1,328)	5,937	1,276
Total		74,100	11,257	17,209	(5,952)	56,891	1,850

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 2023	31 March 2022	31 December 2022	31 March 2023	31 March 2022	31 December 2022	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Marketable securities – MSX									
Government bonds	77,017	77,840	76,997	77,017	77,840	76,997	75,961	76,816	75,953
Other investments									
Treasury bills	575,208	478,738	461,129	575,194	478,738	461,216	575,135	478,688	461,197
Unquoted Omani shares	-	200	-	-	200	-	250	250	250
Unquoted foreign shares	-	6	-	-	6	-	-	6	-
	575,208	478,944	461,129	575,194	478,944	461,216	575,385	478,944	461,447
Total	652,225	556,784	538,126	652,211	556,784	538,213	651,346	555,760	537,400

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

Carrying amount of financial investments

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Financial investments measured at fair value through other comprehensive income			
Treasury bills	466,460	478,738	386,807
Government bonds	77,017	77,840	76,997
Other investments	-	200	-
	543,477	556,778	463,804
Debt instruments measured at amortised cost			
Treasury bills	108,734	-	74,409
Financial investments measured at fair value through profit or loss			
Equity investments	-	6	-
Total	652,211	556,784	538,213

11 Other assets

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Acceptances	16,986	26,043	21,042
ECL on acceptances	(19)	(221)	(20)
Acceptances (net of ECL)	16,967	25,822	21,022
Derivatives-positive mark-to-market	2,980	4,394	2,872
Prepayments	486	934	257
Others	2,066	7,605	2,153
Total	22,499	38,755	26,304

12 Intangible assets

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Computer Software*	965	-	-
Additions	-	-	2,492
Less: amortised	(32)	-	(140)
Less: impairment	-	-	(1,387)
Total	933	-	965

*Intangible assets of RO0.9 M is software development cost from HSBC affiliates as of 31 March 2023. The costs include RO0.4 M of work in progress which will be capitalised upon completion of the project.

13 Property and equipment

Property and equipment added during the period were Nil (31 March 2022: RO0.2 M, 31 December 2022: RO 0.3 M).

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

14 Deposits from customers

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Current and call	969,570	1,068,795	819,367
Time deposits	605,609	483,798	572,226
Savings	360,400	403,735	371,157
Others	2,492	3,192	2,525
Total	1,938,071	1,959,520	1,765,275

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

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
0-6 months	663,714	696,064	550,610
6-12 months	247,674	295,216	223,407
1-3 years	492,957	431,654	493,328
3-5 years	186,360	151,785	186,737
Over 5 years	347,366	384,801	311,193
Total	1,938,071	1,959,520	1,765,275

The interest rate bands of deposits are as follows:

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
0-2%	1,285,291	1,474,500	1,180,408
2-5%	652,780	485,020	584,867
Total	1,938,071	1,959,520	1,765,275

15 Other liabilities

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Acceptances	16,986	26,043	21,042
Dividend payable	16,003	10,802	-
Derivatives - negative mark-to-market	7,207	5,966	9,956
Accruals and deferred income	3,420	4,195	5,801
ECL on off balance sheet exposure and other commitments	2,706	3,039	2,691
Retirement benefit liability	1,455	1,495	1,567
Provisions*	289	302	286
Others	10,940	7,189	19,657
Total	59,006	59,031	61,000

*Includes provision for legal, litigation and contingent commitments.

As at 31 March 2023, there were certain legal suits pending against the Bank. Based on the opinion of the Bank's legal counsel, the Bank's management believes that no additional liability is expected to arise from these cases and therefore the management does not consider it necessary to make any additional provisions in this regard.

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

16 Contingent liabilities, commitments and derivatives

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Undrawn unconditionally cancellable commitments*	439,016	467,205	470,024
Undrawn unconditionally non-cancellable commitments	50,758	76,735	53,310
Forward foreign exchange contracts	305,322	33,206	354,046
Interest rate swaps	211,750	246,015	211,750
Documentary credits	100,163	77,119	84,611
Guarantees and performance bonds	431,852	449,319	442,129
Total	1,538,861	1,349,599	1,615,870

*Undrawn unconditionally cancellable commitments of RO74.5 M (31 March 2022: RO124.6 M. 31 December 2022: RO93 M) are considered as part of loan commitments for IFRS 9.

17 Fair values of financial instruments carried at fair value

Fair values of financial assets and liabilities are determined according to the following hierarchy:

Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that the Bank can access at the measurement date.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

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

	Valuation techniques		
	Level 1	Level 2	Total
	RO'000	RO'000	RO'000
At 31 March 2023			
Assets			
Derivatives	-	2,980	2,980
Financial investments at fair value through other comprehensive income	268,357	275,120	543,477
Financial investments at fair value through profit or loss	-	-	-
Liabilities			
Derivatives	-	7,207	7,207
Deposits from customers	-	221,082	221,082
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

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

At 31 December 2022	Level 1 RO'000	Level 2 RO'000	Total RO'000
Assets			
Derivatives	-	2,872	2,872
Financial investments at fair value through other comprehensive income	307,009	156,795	463,804
Financial investments at fair value through profit or loss	-	-	-
Liabilities			
Derivatives	-	9,956	9,956
Deposits from customers	-	216,984	216,984

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each reporting period. Transfers into and out of levels of the fair value hierarchy are primarily attributable to observability of valuation inputs and price transparency.

During 2023 there was nil (March 2022 and December 2022: nil) transfer from Level 2 to Level 1 Financial Investments.

Fair value adjustments

Fair value adjustments are adopted when the Bank considers that there are additional factors that would be considered by a market participant which are not incorporated within the valuation model.

Movements in the level of fair value adjustments do not necessarily result in the recognition of profits or losses within the income statement. For example, as models are enhanced, fair value adjustments may no longer be required.

Bid-offer

IFRS 13 requires use of the price within the bid-offer spread that is most representative of fair value. Valuation models will typically generate mid-market values. The bid-offer adjustment reflects the extent to which bid-offer cost would be incurred if substantially all residual net portfolio market risks were closed using available hedging instruments or by disposing of or unwinding the position.

Uncertainty

Certain model inputs may be less readily determinable from market data, and/or the choice of model itself may be more subjective. In these circumstances, there exists a range of possible values that the financial instrument or market parameter may assume and an adjustment may be necessary to reflect the likelihood that in estimating the fair value of the financial instrument, market participants would adopt more conservative values for uncertain parameters and/or model assumptions than those used in the valuation model.

Credit and debit valuation adjustment

The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Bank may not receive the full market value of the transactions.

The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the group may default, and that the Bank may not pay full market value of the transactions.

Model limitation

Models used for portfolio valuation purposes may be based upon a simplified set of assumptions that do not capture all current and future material market characteristics. In these circumstances, model limitation adjustments are adopted.

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 2023	Positive fair value	Negative fair value	Total notional amount
	RO'000	RO'000	RO'000
Derivatives:			
Forward foreign exchange contracts	263	92	305,322
Interest rate swaps*	2,717	7,115	211,750
	2,980	7,207	517,072
31 March 2022:	Positive fair value	Negative fair value	Total notional amount
	RO'000	RO'000	RO'000
Derivatives:			
Forward foreign exchange contracts	292	285	33,206
Interest rate swaps*	4,102	5,681	246,015
	4,394	5,966	279,221
31 December 2022:	Positive fair value	Negative fair value	Total notional amount
	RO'000	RO'000	RO'000
Derivatives:			
Forward foreign exchange contracts	60	234	354,046
Interest rate swaps*	2,812	9,722	211,750
	2,872	9,956	565,796

*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

At 31 March 2023	Hedging Instrument				
	Carrying Amount				
	Notional Amount ¹	Assets	Liabilities	Statement of financial position presentation	Change in fair value ²
Hedged Risk	RO'000	RO'000	RO'000	RO'000	RO'000
Interest Rate	211,750	2,717	7,115	Derivative	2,362

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

At 31 December 2022	Hedging Instrument				
	Carrying Amount				
	Notional Amount ¹	Assets	Liabilities	Statement of financial position presentation	Change in fair value ²
Hedged Risk	RO'000	RO'000	RO'000	RO'000	RO'000
Interest Rate	211,750	2,812	9,722	Derivative	(10,458)

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 between 31 March 2023 and 31 December 2022.

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)

Interbank Offered Rates ('IBOR') transition

Following the UK's Financial Conduct Authority ('FCA') announcement in July 2017 that it would no longer continue to persuade, or require panel banks to submit rates for the London interbank offered rate ('Libor') after 2021, we have been actively working to transition legacy contracts from Libor to products linked to near risk-free replacement rates ('RFRs') or alternative reference rates. For the cessation of the publication of US dollar Libor from 30 June 2023, we have implemented the majority of required processes, technology and RFR product capabilities in preparation for upcoming market events and continue to transition outstanding legacy contracts through the first half of 2023.

We have completed the transition of the majority of our uncommitted lending facilities and continue to make steady progress with the transition of the outstanding legacy committed lending facilities. Transition of our derivatives portfolio is progressing well with most clients reliant on industry mechanisms to transition to RFRs. For the limited number of bilateral derivatives trades where an alternative transition path is required client engagement is continuing. For certain products and contracts, including syndicated loans, we remain reliant on the continued support of agents and third parties, but we continue to progress those contracts requiring transition.

We will continue to monitor contracts that may be potentially more challenging to transition and need to rely upon legislative solutions. Additionally, following consultation, the FCA has decided to require LIBOR's administrator, ICE Benchmark Administration Limited (IBA), to continue the publication of the 1-, 3- and 6-month US dollar LIBOR settings until September 2024, for a short period after 30 June 2023, using an unrepresentative 'synthetic' methodology ('synthetic US dollar LIBOR'). This is permitted only for legacy contracts, and we will continue to work with our clients to support them if transition is not completed by 30 June 2023.

Throughout 2023, we continue to be committed to engaging with our clients and investors to complete an orderly transition of contracts that reference the remaining demising Libors.

Financial instruments impacted by IBOR reform

Amendments to IFRSs issued in August 2020 (Interest Rate Benchmark Reform Phase 2) represents the second phase of the IASB's project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of reform.

Under these amendments, changes made to an amortised cost financial instrument that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

These amendments apply from 1 January 2021 with early adoption permitted. The Bank has adopted the amendments from 1 January 2020.

Financial instruments impacted by Libor reform:

	Financial instruments yet to transition to alternative benchmarks, by main benchmark		
	USD Libor		
	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
Non-derivative financial assets			
Loans and advances to customers	137,067	188,975	155,144
Derivative notional contract amount			
Interest rate	96,250	134,750	134,750

The amounts in the above table provide an indication of the extent of the Bank's exposure to the Libor 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 after 30 June 2023, the date by which Libor is expected to cease;
- are recognised on the Bank's balance sheet.

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

18 Fair values of financial instruments not carried at fair value

The bases for measuring the fair values of loans and advances customers, financial investments, deposits by banks, customer accounts are explained in Bank's 31 December 2022 financial statements, note number 26.1.

	Valuation techniques			Total fair value RO'000	Carrying amount RO'000
	Level 1	Level 2	Level 3		
	RO'000	RO'000	RO'000		
Assets and liabilities					
At 31 March 2023					
Assets					
Loans and advances to customers – net	-	-	1,131,897	1,131,897	1,157,086
Liabilities					
Deposits from customers	-	1,706,480	-	1,706,480	1,716,989

	Valuation techniques			Total fair value RO'000	Carrying amount RO'000
	Level 1	Level 2	Level 3		
	RO'000	RO'000	RO'000		
Assets and liabilities					
At 31 March 2022					
Assets					
Loans and advances to customers – net	-	-	1,291,969	1,291,969	1,304,849
Liabilities					
Deposits from customers	-	1,702,174	-	1,702,174	1,722,159

	Valuation techniques				
	Level 1	Level 2	Level 3	Total fair value	Carrying amount
	RO'000	RO'000	RO'000	RO'000	RO'000
Assets and liabilities					
At 31 December 2022					
Assets					
Loans and advances to customers – net	-	-	1,221,299	1,221,299	1,247,387
Liabilities					
Deposits from customers	-	1,520,975	-	1,520,975	1,538,833

Other financial instruments not carried at fair value are typically short-term in nature and re-priced to current market rates frequently. Accordingly, their carrying amounts are reasonable approximation of their fair values.

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

19 Asset liability mismatch

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

Maturities	31 March 2023			31 March 2022			31 December 2022		
	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	1,510,860	801,783	709,077	1,298,974	831,315	467,659	1,147,744	664,928	482,816
6-12 months	55,296	260,604	(205,308)	40,969	301,105	(260,136)	140,491	250,116	(109,625)
1-3 years	110,163	492,957	(382,794)	262,405	431,654	(169,249)	144,630	493,328	(348,698)
3-5 years	239,841	186,360	53,481	227,550	151,785	75,765	227,128	186,737	40,391
more than 5 years	519,088	693,544	(174,456)	608,679	722,717	(114,038)	581,635	646,519	(64,884)
Total	2,435,248	2,435,248	-	2,438,577	2,438,577	-	2,241,628	2,241,628	-

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

20 Exposure to credit risk

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

	31 March 2023		31 March 2022		31 December 2022	
	Gross carrying /nominal amount* RO'000	Allowance for ECL RO'000	Gross carrying /nominal amount* RO'000	Allowance for ECL RO'000	Gross carrying /nominal amount* RO'000	Allowance for ECL RO'000
Cash and balances with central bank	264,014	(130)	245,569	(235)	123,104	(101)
Due from banks	317,144	(46)	267,228	(50)	283,793	(37)
Loans and advances to customers						
-WPB	463,084	(6,899)	484,522	(7,545)	475,059	(7,025)
-Wholesale	728,708	(27,807)	859,432	(31,560)	807,611	(28,258)
Financial investments at amortised cost	108,778	(44)	-	-	74,430	(22)
Other assets	16,986	(19)	26,043	(221)	21,042	(20)
Total gross carrying amount on balance sheet	1,898,714	(34,945)	1,882,794	(39,611)	1,785,039	(35,463)
Loans and other credit related commitments	606,621	(2,706)	651,124	(3,039)	619,684	(2,691)
Total nominal amount off balance sheet	606,621	(2,706)	651,124	(3,039)	619,684	(2,691)
	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	543,477	(206)	616,904	(714)	463,804	(147)

*Gross carrying / nominal amount are net of reserved interest for Loans and advances to customers.

21 Share capital

The share capital of the Bank is divided into 2,000,312,790 fully paid shares of RO0.100 each (31 March 2023 and 31 December 2022 – 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 2023 and 31 December 2022 –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 2023	31 March 2022	31 December 2022
	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

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

	31 March 2023		
	Number of shareholders	Total shares	% of Share Capital
% of Shareholding			
5% and above	1	1,020,159,523	51.0%
Less than 5%	3,037	980,153,267	49.0%
Total	3,038	2,000,312,790	100.0%

	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 December 2022		
	Number of shareholders	Total shares	% of Share Capital
% of Shareholding			
5% and above	1	1,020,159,523	51.0%
Less than 5%	3,065	980,153,267	49.0%
Total	3,066	2,000,312,790	100.0%

22 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.

23 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. The bank believes that the related party transactions are on terms similar to those offered to non-related parties.

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

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 2023					
Loans and advances	-	-	97	8,484	8,581
Current, deposit and other accounts	-	3,583	4,628	5,946	14,157
Letters of credit and guarantees	-	94,095	390	4,375	98,860
Acceptances	-	-	-	396	396
Due from banks	-	66,221	-	-	66,221
Due to banks ¹	-	13,793	-	-	13,793
Collateral received	-	9,006	-	-	9,006

For the period ended 31 March 2023					
Net fee income ²	-	(4)	24	20	40
Directors' remuneration proposed	-	-	(53)	-	(53)
Amortisation and impairment of intangible assets	-	(32)	-	-	-
General and administrative expenses ³	-	(3,272)	(9)	(287)	(3,568)
Purchase of intangible assets ⁴	-	-	-	-	-

- 1 Due to banks includes Vostro balances of RO8.9 M from HSBC affiliates and accrual of RO3.9 M for the expenses payable to HSBC Affiliates as of 31 March 2023.
- 2 Net fee income includes fee expenses of RO0.1 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.
- 4 The Bank has RO1.1 M of Capital commitments related to intangible assets (software) with HSBC affiliates.

	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	-	696	-	-	696
Collateral received	-	43,429	-	-	43,429

For the period ended 31 March 2022					
Net fee income ²	-	4	-	-	4
Directors' remuneration proposed	-	-	-	-	-
Amortisation and impairment of intangible assets	-	-	-	-	-
General and administrative expenses ³	-	(4,208)	(9)	(28)	(4,245)
Purchase of intangible assets	-	-	-	-	-

- 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 Net fee income includes fee expenses of RO0.1 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.

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
As at 31 December 2022					
Loans and advances	-	-	104	8,715	8,819
Current, deposit and other accounts	-	3,535	224	5,076	8,835
Letters of credit and guarantees	-	97,542	-	5,026	102,568
Acceptances	-	-	-	639	639
Due from banks	-	58,266	-	-	58,266
Due to banks ¹	-	22,243	-	-	22,243
Collateral received	-	13,230	-	-	13,230
For the period ended 31 December 2022					
Net fee income ²	-	133	44	148	326
Directors' remuneration proposed	-	-	(60)	-	(60)
Amortisation and impairment of intangible assets	-	(1,527)	-	-	(1,527)
General and administrative Expenses ³	-	(15,246)	(34)	(69)	(15,349)
Purchase of Intangible assets ⁴	-	2,491	-	-	2,491

1. Due to banks includes Vostro balances of RO17.2 M from HSBC affiliates and accrual of RO5.4 M for the expenses payable to HSBC Affiliates as of 31 December 2022.
2. Net fee income under other related group entities above includes fee expenses of RO0.3 M incurred for the indemnity received as a collateral from HSBC affiliates.
3. General and administrative expenses under other related group entities 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.
4. Intangible assets of RO2.5 M is software development cost from HSBC affiliates as of 31 December 2022. Further Bank has RO0.2 M of Capital commitments related to intangible assets (software) with HSBC affiliates.

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

	31 March 2023 RO'000	31 March 2022 RO'000	31 December 2022 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 2022: between 3% p.a. and 7% p.a.). Related party deposits bear interest at rates between 0.03% p.a. and 1.5% p.a. (31 March 2022: between 0.1% p.a. and 0.7% p.a.).

Compensation of key management personnel

	Three month period ended 31 March 2023 RO'000	Three month period ended 31 March 2022 RO'000
Wages, salaries and other short term benefits	378	365
Post-employment benefits	17	53
Total	395	418

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

24 Operating segments

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 2023				
	CMB	WPB	GB&M	Corporate center	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Net interest income	6,634	7,253	6,171	(166)	19,892
Net fee income	595	621	775	(28)	1,963
Net trading income	349	266	1,024	-	1,639
Other income / (loss)	15	(17)	257	(5)	250
Net operating income before change in expected credit losses and other credit impairment charges	7,593	8,123	8,227	(199)	23,744
Change in expected credit losses and other credit impairment charges	65	86	277	-	428
Net operating income / (loss)	7,658	8,209	8,504	(199)	24,172
Total operating expenses	(2,711)	(6,513)	(1,927)	(136)	(11,287)
Profit / (loss) before tax	4,947	1,696	6,577	(335)	12,885
Reportable segment assets	1,036,966	768,705	561,325	68,252	2,435,248
Reportable segment liabilities	967,300	553,656	517,403	41,250	2,079,609

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
Other income / (loss)	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
Reportable segment assets	1,007,422	787,844	529,943	113,368	2,438,577
Reportable segment liabilities	886,412	595,117	582,429	34,349	2,098,307

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

Balance sheet information	31 March 2023				
	Corporate center				Total
	CMB RO'000	WPB RO'000	GB&M RO'000	RO'000	
Loans and advances to customers (net)	534,806	456,185	166,095	-	1,157,086
Total assets	1,036,966	768,705	561,325	68,252	2,435,248
Deposits from customers	942,457	547,304	448,310	-	1,938,071
Total liabilities	967,300	553,656	517,403	41,250	2,079,609
31 March 2022					
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 customers	855,340	589,050	515,130	-	1,959,520
Total liabilities	886,412	595,117	582,429	34,349	2,098,307
31 December 2022					
Loans and advances to customers (net)	508,322	468,034	271,031	-	1,247,387
Total assets	937,032	749,175	481,521	73,900	2,241,628
Deposits from customers	885,416	552,199	327,660	-	1,765,275
Total liabilities	917,340	565,756	361,939	37,276	1,882,311

Other financial information

Net operating income by global business	31 March 2023				
	Corporate center				Total
	CMB RO'000	WPB RO'000	GB&M RO'000	RO'000	
Net operating income ¹	7,593	8,123	8,227	(199)	23,744
- external	6,237	8,774	8,771	(38)	23,744
- internal	1,356	(651)	(544)	(161)	-
31 March 2022					
Net operating income	4,460	7,940	4,212	(61)	16,551
- external	4,348	7,490	4,818	(105)	16,551
- internal	112	450	(606)	44	-

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

25 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 2022: 12.25% and 31 December 2022: 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) got phased-out by 2021 and the incremental Stage 2 ECLs for year 2020 to 2023 get added back in phase-out manner (i.e. 40% in 2023) and same will be phase-out by 2024.

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
CET 1 / Tier 1 capital	340,070	330,551	339,996
Tier 2 capital (T2)	2,566	5,284	2,504
Total regulatory capital	342,637	335,835	342,500
Risk-weighted assets	1,396,082	1,546,338	1,412,604
CET 1 / Tier 1 capital ratio	24.36%	21.38%	24.07%
Total CAR	24.54%	21.72%	24.25%

If the bank would not have applied the prudential filter as explained above, the Capital adequacy ratio for 31 March 2023 works out as below;

	31 March 2023	31 March 2022	31 December 2022
	RO'000	RO'000	RO'000
CET 1 / Tier 1 capital	340,070	330,551	339,996
Tier 2 capital (T2)	2,566	4,107	2,504
Total regulatory capital	342,637	334,658	342,500
Risk-weighted assets	1,396,082	1,546,338	1,412,604
CET 1 / Tier 1 capital ratio	24.36%	21.38%	24.07%
Total CAR	24.54%	21.64%	24.25%

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

26 Cash and cash equivalents

	31 March 2023	31 March 2022
	RO'000	RO'000
26(a) Non-cash items included in profit before tax		
Interest expense on lease	35	-
Change in expected credit losses and other credit impairment charges	(428)	(2,033)
Depreciation and impairment of property, equipment and right-of-use assets	419	462
Amortisation of intangible assets	32	-
Amortisation of discount on financial investment	(1,058)	(150)
Employer's current service cost with interest	70	66
Loss on disposal of property and equipment	22	15
Total	(908)	(1,640)
26(b) Change in operating assets		
	31 March 2023	31 March 2022
	RO'000	RO'000
Change in loans and advances to customers-net	90,788	44,372
Change in due from Banks	(21,321)	-
Change in other assets	3,778	(7,713)
Total	73,245	36,659
26(c) Change in operating liabilities		
	31 March 2023	31 March 2022
	RO'000	RO'000
Change in due to banks	26,172	21,814
Change in deposits from customers	172,796	58,426
Change in other liabilities	(17,803)	2,421
Total	181,165	82,661
26(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:		
	31 March 2023	31 March 2022
	RO'000	RO'000
Interim condensed statement of financial position (unaudited) comprise:		
Cash and balances with central bank	263,884	245,334
Due from banks	295,777	267,178
Financial investments - original maturities of three months or less	465,903	393,887
Total	1,025,564	906,399

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 2022: 100%) in accordance with CBO stipulated guidelines. The Bank's average LCR as of 31 March 2023 was 417% (31 March 2022 – 253%)

Liquidity coverage ratio disclosure for the period ended 31 March 2023:

		31 March 2023	
		Total Unweighted Value (average*) RO'000	Total Weighted Value (average*) RO'000
High quality liquid assets			
1	Total High quality liquid assets (HQLA)		671,570
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	550,079	40,902
3	- Stable deposits	276,102	13,805
4	- Less stable deposits	273,977	27,097
5	Unsecured wholesale funding, of which:	877,221	395,121
6	- Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	- Non-operational deposits (all counterparties)	877,221	395,121
8	- Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which	36,903	3,680
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	36,903	3,680
14	Other cash outflows	159,655	159,666
15	Other contingent funding obligations	588,421	29,421
16	Total cash outflows (2+5+10+14+15)		622,287
Cash inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	376,614	358,443
19	Other cash inflows	157,696	157,696
20	Total cash inflows (17+18+19)	534,311	516,140
21	Total HQLA		664,190
22	Total net cash outflows (16-20)		159,345
23	Liquidity coverage ratio (21/22)		417%

*simple average of daily observations over the last three month (Jan – Mar 2023).

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 2023 (for 31 March 2022: 100%) in accordance with CBO stipulated guidelines. The Bank's NSFR as 31 March 2023 was 186% (31 March 2022 – 154.8%)

Net Stable Funding Ratio disclosure for the period ended 31 March 2023:

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:	358,258	-	-	-	358,258
2	Regulatory capital	345,770	-	-	-	345,770
3	Other capital instruments	12,488	-	-	-	12,488
4	Retail deposits and deposits from small business customers	500,432	10,164	8,676	27,838	508,700
5	Stable deposits	270,127	118	101	-	256,829
6	Less stable deposits	230,305	10,046	8,575	27,838	251,871
7	Wholesale funding:	937,526	58,706	10,601	457,060	960,476
8	Operational deposits	72,934	-	-	-	36,467
9	Other wholesale funding	864,592	58,706	10,601	457,060	924,009
10	Liabilities with matching interdependent assets					
11	Other liabilities:	44,967	22,620	711	7,474	-
12	NSFR derivative liabilities				4,227	
13	All other liabilities and equity not included in above categories	44,967	18,393	711	7,474	-
14	Total ASF					1,827,434
Require Stable Funding (RSF) items						
15	Total NSFR high-quality liquid assets (HQLA)					32,613
16	Deposits held at other financial institutions for operational purposes	40,845	-	-	-	20,423
17	Performing loans and securities:	-	758,733	17,593	665,540	837,649
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	-	276,299	-	-	41,445
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	-	479,643	16,135	550,863	730,646
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:	-	2,791	1,458	114,677	65,559
23	- With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2,791	1,458	97,591	63,434

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	-	-	-	-	-
25	Assets with matching interdependent liabilities					
26	Other Assets:	17,986	16,269	711	6,760	41,726
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	17,986	16,269	711	6,760	41,726
32	Off-balance sheet items		609,508	183,518	228,761	51,089
33	TOTAL RSF					983,500
34	NET STABLE FUNDING RATIO (%)					186

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 2023 (for 31 March 2022: 4.5%) in accordance with CBO stipulated guidelines. The Bank's leverage ratio as of 31 March 2023 was 12.0% (31 March 2022 – 11.6%)

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

Item	As at 31.03.2023
	RO'000
1 Total consolidated assets as per published financial statements	2,435,248
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	4,112
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)	389,944
7 Other adjustments	(2,814)
8 Leverage ratio exposure	2,826,490

Table 2: Leverage ratio common disclosure template

Item	As at 31.03.2023
1 On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,432,268
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(2,814)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	2,429,454
Derivative Exposures	
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	2,980
5 Add-on amounts for PFE associated with all derivatives transactions	4,112
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)	7,092
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	1,021,788
18 (Adjustments for conversion to credit equivalent amounts)	(631,844)
19 Off-balance sheet items (sum of lines 17 and 18)	389,944
Capital and total exposures	
20 Tier 1 capital	340,082
21 Total exposures (sum of lines 3, 11, 16 and 19)	2,826,490
Leverage Ratio	
22 Basel III leverage ratio (%)	12.0

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