



HSBC Bank Oman S.A.O.G.

(formerly Oman International Bank S.A.O.G.)

Interim Condensed Financial Report

30 September 2012



Interim Condensed Financial Report - 30 September 2012

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Presentation of Information

This document comprises the Interim Condensed Financial Report – 30 September 2012 for HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G. ('the Bank')). It contains Unaudited Interim Condensed Financial Statements, together with the Board of Directors Report, the Auditor's review report and the Summary of Unaudited Results.

Board of Directors' Report on the nine months results (unaudited) for the period ended 30 September 2012

Dear Shareholders,

It has only been four months since the operations of Oman International Bank S.A.O.G (“OIB”) and HSBC Bank Middle East Limited’s Oman branches combined to form your Bank, ‘HSBC Bank Oman S.A.O.G’. A very great deal has been achieved in that short period of time and we are pleased to present the third quarter results of the combined entity.

HSBC Holdings Plc acquired 51% of the combined entity through its indirect wholly owned subsidiary HSBC Bank Middle East Limited (‘HBME’), contributing an injection of additional capital. The merger is accounted for as a reverse acquisition under International Financial Reporting Standard 3 (‘IFRS 3’): ‘Business Combinations’, as HSBC acquired a controlling stake in OIB through the issue of new shares. Accordingly, for accounting purposes, OIB is treated as the ‘accounting acquiree’ and HSBC Oman as the ‘accounting acquirer’. As a result, the financial statements of HSBC Bank Oman S.A.O.G. are shown as a continuation of those of HSBC Oman with one adjustment to reflect the legal capital of OIB.

Performance Summary

For the nine months ended 30 September 2012 net interest income was RO26.69m, up by 60% compared to RO16.68m for the same period in 2011. Other income improved to RO14.88m from RO9.36m in the same period in 2011. Operating expenses rose to RO26.75m compared to RO13.97m in the prior year. The Bank’s profit before provisions was RO14.82m, up 22.77% on RO12.07m for the corresponding period in 2011.

The amount provided for loan impairment charges net of recoveries was RO2.29m compared to net recoveries of RO0.64m for the corresponding period in 2011. The increase was mainly due to higher general provisions and downgrading of some customers to non performing advances.

For the nine months ended 30 September 2012, the bank recorded a 4% decrease in net profit to RO10.57m compared with RO11.03m for the corresponding period in 2011.

Loans and advances net of provisions and reserved interest rose to RO1,225m as at 30 September 2012 compared to RO480m as at 30 September 2011. Of the increase, RO685m is as a result of the merger while the remaining RO60m is due to growth in advances by the Bank.

Customer deposits stood at RO1,875m as at 30 September 2012 compared to RO775m as at 30 September 2011. RO1,014m of the increase is as a result of the business combination while the remaining RO86m is due to growth in deposits by the Bank.

Integration

The combination of OIB and HSBC Oman is a significant event in the development of banking provision in the Sultanate, bringing together two organisations with a history in Oman that dates back to 1948. Management is now focused on the task of bringing both entities onto a single systems platform to ensure that we are quickly able to offer our customers the benefits of the business combination, and in turn, the benefits to the shareholders from the new entity.

Technology investment

We have already made substantial investment in the technology platform to ensure the efficient operation of the combined branch network. We have overseen the migration of 107 ATMs from the former OIB network to join the HSBC ATMs as part of the national OmanNet network. This means that all OIB customers now have the convenience of access to the entire Oman ATM network, and more convenient access to ATMs when travelling outside of Oman. In addition, we are in the process of installing an entirely new IT infrastructure for the combined operations. As a result, in November the OIB and HSBC branches and offices will be fully connected with common banking and management systems to create a fully integrated network and all staff will have access to new PCs and related equipment.

Customer Migration

With more than 400,000 customers in the combined group, we have addressed a major logistical challenge to ensure that customers receive their new account numbers, debit and credit cards and PIN numbers within a short time frame. Messages sent nationally via newspapers, radio and SMS services are set to bring customers into their branches to complete paperwork and collect their welcome packs. This is a complex and large undertaking, and is being carried out in close cooperation with the branch network and all of our stakeholders.

Branch Network Strategy

Since the completion of the transaction, management has carried out a branch review and the network has been segmented into 3 categories – Flagship, Mid-Market and Community. The network is being refurbished accordingly and all branches will be re-branded by December to ensure that every branch properly represents the new combined entity.

Staff Training

Extensive staff training is underway in all branches to ensure employee readiness to operate the HSBC systems, to ensure the necessary levels of mandatory compliance and risk awareness are attained and, importantly, to communicate the customer service standards, values and culture expected within the combined entity. To meet our targets, we have identified a total of 1004 staff for training and 12,892 training days have been scheduled for delivery before March 2013.

In closing, and on behalf of the Board of Directors, I would like to express appreciation and thanks to all our customers, staff and management for their commitment, as well as to the Central Bank of Oman and the Capital Market Authority for their support and guidance.

I wish to express our deepest gratitude to His Majesty Sultan Qaboos Bin Said for the peace, stability and growth that his reign has brought to Oman. We offer our full support as he continues to lead Oman and its people to further prosperity and development.

Waleed Omar Al Zawawi
Deputy Chairman



KPMG
4th Floor, HSBC Bank Building
MBD
P.O. Box 641
P.C. 112
Sultanate of Oman

Tel 968 24709181
Fax 968 24700839

Review Report to the Board of Directors of HSBC Bank Oman SAOG

The Chairman
Board of Directors
HSBC Bank Oman SAOG
PO Box 1727, CPO Seeb 111
Muscat, Sultanate of Oman

Introduction

We have reviewed the unaudited condensed statement of financial position of HSBC Bank Oman SAOG (“the Bank”) as at 30 September 2012, and the related unaudited condensed statements of comprehensive income, changes in equity and cash flows for the nine months period then ended, and other explanatory notes (“the interim financial information”) set out on pages 6 to 30.

Management are responsible for the preparation and fair presentation of the interim financial information in accordance with International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’ and the minimum disclosure requirements issued by the Capital Market Authority (“CMA”). Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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. We have not performed an audit and, 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 interim financial information of the Bank is not:

- i) prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’; and
- ii) in compliance, in all material respects, with the minimum disclosure requirements issued by the CMA.

23 October 2012

KPMG

Summary of unaudited results for the period ended 30 September 2012

	30 September 2012 RO'000	30 September 2011 RO'000	Change (%)
Loans and advances net of provisions and reserved interest	1,224,720	480,350	155%
Customer deposits	1,875,129	774,950	142%
Net assets	298,027	109,725	172%
* Net assets per share	0.209	0.113	85%
	Nine months period ended 30 September 2012 RO'000	Nine months period ended 30 September 2011 RO'000	Change (%)
Net interest income	26,689	16,682	60%
Net profit for the period	10,565	11,029	-4%
** Earnings per share (annualised)	0.010	0.015	-33%
*** Capital adequacy ratio (CAR)	15.77%	15.12%	4%

Comparative information presented is that of HSBC Bank Middle East Limited Oman branches as being the accounting acquirer and as a result of application of IFRS 3 - Business Combinations as discussed in note 2 (c)

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

** *Earnings per share (annualised) have been calculated by dividing the net profit after tax attributable to ordinary shareholders for the period ended 30 September by the average number of ordinary shares in issue for the period.*

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

Unaudited interim condensed statement of comprehensive income for the nine months period ended 30 September 2012

	Notes	Quarter ended 30 September 2012 RO 000	Quarter Ended 30 September 2011 RO 000	Nine months ended 30 September 2012 RO 000	Nine months ended 30 September 2011 RO 000
Interest income	6	16,726	6,677	32,972	19,996
Interest expense	7	(3,428)	(977)	(6,283)	(3,314)
Net interest income		13,298	5,700	26,689	16,682
Net fee income		2,578	1,645	6,676	5,272
Net exchange income		2,941	1,260	6,395	4,009
Dividend income		8	-	11	-
Other operating income	8	387	25	1,799	83
Net operating income before loan impairment charges and other credit risk provisions		19,212	8,630	41,570	26,046
Loan impairment charges and other credit risk provisions - net of recoveries	9	(1,412)	601	(2,294)	640
Net operating income		17,800	9,231	39,276	26,686
Operating expenses	10	(13,065)	(4,365)	(25,988)	(13,974)
Amortisation and impairment of intangible assets	11	(572)	-	(762)	-
Total operating expenses		(13,637)	(4,365)	(26,750)	(13,974)
Profit before tax		4,163	4,866	12,526	12,712
Tax expense		(841)	(714)	(1,961)	(1,683)
Profit for the period		3,322	4,152	10,565	11,029
Other comprehensive income/(expense)					
Fair value (loss)/gains on available for sale investments		(9)	68	405	261
Effect of currency translation		524	-	497	-
Income taxes on fair value gains on available for sale investments		1	(8)	(49)	(31)
		516	60	853	230
Total comprehensive income for the period		3,838	4,212	11,418	11,259
Earnings per share - basic	12	0.008	0.017	0.010	0.015

The accompanying notes on pages 11 to 30 form an integral part of these interim condensed financial statements.

Unaudited interim condensed statement of financial position as at 30 September 2012

		At 30 September 2012	At 30 September 2011	At 31 December 2011
	Notes	RO'000	RO'000	RO'000
Assets				
Cash and balances with central banks		171,957	33,787	41,401
Due from banks		202,933	112,223	101,380
Loans and advances to customers - net	13	1,224,720	480,350	454,280
Financial investments	14	563,884	304,628	304,738
Other assets	15	114,786	45,963	66,871
Intangible assets	16&5	15,235	-	-
Property, plant and equipment	17	33,385	1,381	1,458
Total assets		2,326,900	978,332	970,128
Liabilities and equity				
Liabilities				
Due to banks		26,885	34,271	25,699
Deposits from customers	18	1,875,129	774,950	747,750
Other liabilities	19	126,859	59,386	82,545
Total liabilities		2,028,873	868,607	855,994
Equity				
Share capital	24	200,031	96,805	96,805
Legal reserve	25(a)	32,093	30,442	32,093
Statutory reserve	25(b)	1,299	1,063	973
Merger reserve	25(c)	-	(81,295)	(82,856)
Available-for-sale fair value reserve	25(d)	106	-	-
Retained profits		64,498	62,710	67,119
Total equity		298,027	109,725	114,134
Total equity and liabilities		2,326,900	978,332	970,128
Net assets per share		0.209	0.113	0.116
Off-balance sheet items:				
Contingent liabilities and commitments				
- Documentary credits		169,639	120,467	85,333
- Guarantees		369,905	182,054	208,137
- Others	20	1,387,624	735,734	614,184
		1,927,168	1,038,255	907,654

The accompanying notes on pages 11 to 30 form an integral part of these interim condensed financial statements.

The interim condensed financial statements were authorised for issue on 23 October 2012 in accordance with the resolution of the Board of Directors.

Waleed Omar Al Zawawi
Deputy Chairman

Ewan Stirling
Chief Executive Officer

HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G.)

Unaudited interim condensed statement of changes in equity for the nine months period ended 30 September 2012

	Share capital	Legal reserve	Statutory reserve	Available-for-sale fair value reserve	Merger reserve (note 5)	Retained profits	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2011	91,325	30,442	912	-	(75,664)	51,451	98,466
Total comprehensive income for the period							-
Profit for the period	-	-	-	-	-	11,029	11,029
Other comprehensive income / (expense) for the period							
Effect of currency translation	-	-	(76)	-	76	-	-
Net movement in fair value of available-for-sale investments						230	230
Total other comprehensive income for the period	-	-	(76)	-	76	230	230
Total comprehensive income for the period	-	-	(76)	-	76	11,259	11,259
Transfer to statutory reserve	-	-	227	-	(227)	-	-
	-	-	151	-	(151)	11,259	11,259
Transaction with shareholders, recorded directly in equity							
Stock dividend issued for 2010	5,480	-	-	-	(5,480)	-	-
At 30 September 2011	96,805	30,442	1,063	-	(81,295)	62,710	109,725
At 1 January 2012	96,805	32,093	973	-	(82,856)	67,119	114,134
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	10,565	10,565
Other comprehensive income / (expense) for the period							
Effect of currency translation	-	-	66	(4)	-	435	497
Net movement in fair value of available-for-sale investments	-	-	-	110	-	246	356
Total other comprehensive income for the period	-	-	66	106	-	681	853
Total comprehensive income for the period	-	-	66	106	-	11,246	11,418
Movements as a result of merger	-	-	(50)	-	84,066	(13,557)	70,459
Transfer to statutory reserve	-	-	310	-	-	(310)	-
	-	-	326	106	84,066	(2,621)	81,877
Transaction with shareholders, recorded directly in equity							
Share capital issued	102,016	-	-	-	-	-	102,016
Stock dividend issued for 2011	1,210	-	-	-	(1,210)	-	-
At 30 September 2012	200,031	32,093	1,299	106	-	64,498	298,027

The accompanying notes on pages 11 to 30 form an integral part of these interim condensed financial statements.

HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G.)

**Unaudited interim condensed statement of cash flows for the nine months period ended
30 September 2012**

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
<i>Note</i>	RO 000s	RO 000s
Cash flows from operating activities		
Profit before tax	12,526	12,712
Adjustments for:		
– non-cash items included in profit before tax	2,648	(394)
– change in operating assets	(7,884)	(7,713)
– change in operating liabilities	31,002	88,260
– tax paid	(2,817)	(1,175)
Net cash generated from operating activities	35,475	91,690
Cash flows used in investing activities		
Purchase of financial investments	(3,790,689)	(2,405,317)
Proceeds from maturity of financial investments	3,705,798	2,265,000
Purchase of property, plant and equipment	(1,160)	(379)
Cash and cash equivalents acquired as a result of merger (net)	245,782	-
Effect of currency translation	(292)	-
Net cash generated from / (used in) investing activities	159,439	(140,696)
Cash flows from financing activities		
Additional capital contribution	20,551	-
Net cash generated from financing activities	20,551	-
Net change in cash and cash equivalents	215,465	(49,006)
Cash and cash equivalents at the beginning of the period	116,582	160,245
Cash and cash equivalents at the end of the period	332,047	111,239

The accompanying notes on pages 11 to 30 form an integral part of these interim condensed financial statements.

HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G.)
Notes to the unaudited interim condensed financial statements for the nine months period ended
30 September 2012

1 Legal status and activities

HSBC Bank Oman S.A.O.G. ('the Bank'), formerly Oman International Bank S.A.O.G. ('OIB'), 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, India and Pakistan. The registered office of the head office of the Bank is P.O. Box 1727, CPO Seeb, Postal Code 111, Sultanate of Oman. The Bank has its shares listed on Muscat Securities Market.

As further explained in note 5, on 3 June 2012, the operations of HSBC Bank Middle East Limited Oman branches merged with OIB and the combined listed entity was renamed as HSBC Bank Oman S.A.O.G. Following the merger, HSBC Bank Middle East Limited holds 51% of the shares in the combined entity.

2 Basis of preparation:

(a) Compliance with International Financial Reporting Standards

The interim condensed financial statements of the Bank have been prepared in accordance with IAS 34 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standards Board ('IASB'), the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority ('CMA'), and the Commercial Companies Law of 1974, as amended, of the Sultanate of Oman and the applicable regulations of the Central Bank of Oman ("CBO").

The financial statements of the Bank at 31 December 2011 were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB, the disclosure requirements and the applicable regulations of the CBO.

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

(b) Presentation of information

The functional currency of the Bank is Rials Omani ("RO"), which is also the presentation currency of the financial statements of the bank.

(c) Comparative information

These interim condensed financial statements include comparative information as required by IAS 34.

As further explained in note 5, on 3 June 2012, the operations of HSBC Bank Middle East Limited Oman branches merged with OIB. Following the merger, HSBC Bank Middle East Limited holds 51% of the shares in the combined entity. The merger is accounted for as a reverse acquisition under IFRS 3 – 'Business Combinations' due to HSBC acquiring a controlling stake in OIB through the issue of new shares of OIB. Accordingly, OIB is treated as the 'accounting acquiree' and HSBC Bank Middle East Limited Oman branches are treated as the 'accounting acquirer' for accounting purposes. As a result, the financial statements of HSBC Bank Oman S.A.O.G. are shown as a continuation of the financial statements of HSBC Bank Middle East Limited Oman branches with one adjustment to reflect the legal capital of OIB.

2 Basis of preparation (continued)

(d) Use of estimates and assumptions

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that the bank's critical accounting policies where judgement is necessarily applied are those which relate to the valuation of separately identifiable assets and liabilities acquired during merger, the useful lives of intangible assets, impairment of loans and advances, the valuation of financial instruments and the impairment of available-for-sale financial assets.

(e) Future accounting developments

At 30 September 2012, a number of standards and amendments to standards had been issued by the IASB, which are not effective for these interim condensed financial statements. In addition to the projects to complete financial instrument accounting, the IASB is continuing to work on projects on insurance, revenue recognition and lease accounting, which together with the standards described below, will represent widespread and significant changes to accounting requirements from 2013.

Standards and Interpretations issued by the IASB

Standards applicable in 2013

In May 2011, the IASB issued IFRS 10 'Consolidated Financial Statements' ('IFRS 10'), IFRS 11 'Joint Arrangements' ('IFRS 11') and IFRS 12 'Disclosure of Interests in Other Entities' ('IFRS 12'). The standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRSs 10 and 11 are required to be applied retrospectively.

Under IFRS 10, there will be one approach for determining consolidation for all entities, based on the concept of power, variability of returns and their linkage. This will replace the current approach which emphasises legal control or exposure to risks and rewards, depending on the nature of the entity. IFRS 11 places more focus on the investors' rights and obligations than on structure of the arrangement, and introduces the concept of a joint operation. IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements and associates and introduces new requirements for unconsolidated structured entities.

Based on the Bank's assessment to date, we do not expect IFRS 10 and IFRS 11 to have a material effect on the Bank's financial statements.

In May 2011, the IASB also issued IFRS 13 'Fair Value Measurement' ('IFRS 13'). This standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 13 is required to be applied prospectively from the beginning of the first annual period in which it is applied. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application.

IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. The standard clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and enhances disclosures about fair value measurement.

2 Basis of preparation (continued)

(e) Future accounting developments (continued)

Standards and Interpretations issued by the IASB (continued)

Standards applicable in 2013 (continued)

The Bank is currently assessing IFRS 13 and it is not practicable to quantify the effect as at the date of the publication of these interim condensed financial statements, which will depend on final interpretations of the standard, market conditions and the Bank's holdings of financial instruments at 1 January 2013.

In June 2011, the IASB issued amendments to IAS 19 'Employee Benefits' ('IAS 19 revised'). The revised standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The Bank is currently assessing IAS 19 and it is not practical to quantify the effect as at the date of the publication of these interim condensed financial statements.

In December 2011, the IASB issued amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively.

Standards applicable in 2014

In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively.

The bank is currently assessing the impact of these clarifications but it is not practicable to quantify the effect as at the date of the publication of these interim condensed financial statements.

Standards applicable in 2015

In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 relating to financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.

Following the IASB's decision in December 2011 to defer the effective date, the standard is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. IFRS 9 is required to be applied retrospectively but prior periods need not be restated.

The second and third phases in the IASB's project to replace IAS 39 will address the impairment of financial assets measured at amortised cost and hedge accounting.

The IASB re-opened the requirements for classification and measurement in IFRS 9 in 2012 to address practice and other issues with an exposure draft of revised proposals expected in the second half of 2012. Therefore, the Bank remains unable to provide a date by which it plans to apply IFRS 9 and it remains impracticable to quantify the effect of IFRS 9 as at the date of the publication of these interim condensed financial statements.

HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G.)
Notes to the unaudited interim condensed financial statements for the nine months period ended
30 September 2012

3 Accounting policies

In addition to the accounting policies adopted by the Bank for these interim condensed financial statements which are consistent with those described in the financial statements of HSBC Bank Middle East Limited Oman branches for the year ended 31 December 2011, the following accounting policy in relation to the business combinations accounting is also adopted:

The purchase method of accounting is used to account for the business combination. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the date of exchange. Acquisition-related costs are recognised as an expense in the statement of income in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the aggregation of the consideration transferred, the amount of non-controlling interest and the fair value of the acquirer's previously held equity interest, if any, over the net of the amounts of the identifiable assets acquired and the liabilities assumed. In the event that the amount of net assets acquired is in excess of the aggregation of the consideration transferred, the difference is recognised immediately in the statement of comprehensive income.

4 Products and services

The Bank provides a comprehensive range of banking and related financial services to its customers in its geographical regions. The products and services offered to customers are organised by customer bank and global business.

- *Retail Banking and Wealth Management* offers a broad range of products and services to meet the personal banking, consumer finance and wealth management needs of individual customers. Personal banking products typically include current and savings accounts, mortgages and personal loans, credit cards, insurance, wealth management and local and international payment services.
- *Commercial Banking* product offerings include the provision of financing services, payments and cash management, international trade finance, treasury and capital markets, commercial cards, insurance, wealth management and investment banking services.
- *Global Banking and Markets* provide tailored financial solutions to government, corporate and institutional clients. The client focused business lines deliver a wide range of banking capabilities; a markets business that provides services in credit, rates, foreign exchange, money markets and principal investment activities.

5 Business combination

On 3 June 2012, the operations of HSBC Bank Middle East Limited Oman branches merged with OIB and the combined listed entity was renamed as HSBC Bank Oman S.A.O.G. As a result of the merger, HSBC Bank Middle East Limited acquired 51% of the combined entity for a total consideration of RO 151.92m. The merger is accounted for as a reverse acquisition under IFRS 3 due to HSBC acquiring a controlling stake in OIB through the issue of new shares of OIB. Accordingly, OIB is treated as the 'accounting acquiree' and HSBC Bank Middle East Limited Oman branches are treated as the 'accounting acquirer' for accounting purposes. As a result, the financial statements of HSBC Bank Oman S.A.O.G. are shown as a continuation of the financial statements of HSBC Bank Middle East Limited Oman branches with one adjustment to reflect the legal capital of OIB. This adjustment was reflected in a 'merger reserve', the balance on which was adjusted against retained earnings as at 30 September 2012.

As per IFRS 3 negative goodwill of RO 1.23m arose from this acquisition and is recognised within other income for the nine months ended 30 September 2012.

	03 June 2012
	RO'000
Total consideration transferred	<u>151,923</u>

HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G.)
Notes to the unaudited interim condensed financial statements for the nine months period ended
30 September 2012

5 Business combination (continued)

The fair values of identifiable assets acquired and the liabilities assumed at the acquisition date were as follows:

	Fair value recognised on acquisition	Carrying value immediately prior to acquisition
	RO'000	RO'000
Cash and balances with central banks	108,344	108,344
Derivatives	1,948	1,948
Due from banks	174,190	174,190
Loans and advances to customers – net	685,370	702,940
Financial investments	173,977	173,977
Other assets	120,609	120,723
Prepayment and accrued income	1,120	1,120
Property, plant and equipment	31,405	37,038
Intangible assets – core deposit	12,306	-
Intangible assets – customer relationships	3,691	-
Deferred tax assets	3,868	950
Due to banks	(21,281)	(21,281)
Deposits from customers	(1,014,455)	(1,015,555)
Items in the course of transmission to other banks	(4,519)	(4,519)
Derivatives	(2,342)	(242)
Other liabilities	(116,079)	(116,079)
Current tax liabilities	(563)	(563)
Accruals and deferred income	(4,428)	(4,428)
Total identifiable net assets	153,161	
Total consideration transferred	151,923	
Negative goodwill arising on acquisition (note 8)	(1,238)	

Transaction costs of RO 2.1m have been expensed and are included in general and administrative expenses (note 10).

Total operating income and net profit of OIB from 3 June to 30 September 2012 included in interim condensed statement of income are RO 13.78m and RO 0.006m respectively.

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6 Interest income

Interest bearing assets earned interest at an overall annualised rate of 3.08% for the nine months period ended 30 September 2012 (30 September 2011-3.22 %).

7 Interest expense

For the nine month period ended 30 September 2012, the average overall annualised cost of funds was 0.63% (30 September 2011 - 0.58 %).

8 Other operating income

	Nine months period ended 30 September 2012 RO'000	Nine months period ended 30 September 2011 RO'000
Loss on sale of property and equipment	-	(1)
Negative goodwill (note 5)	1,238	-
Other income	561	84
	1,799	83

9 Loan impairment charges and other credit risk provisions - net of recoveries

	Nine months period ended 30 September 2012 RO'000	Nine months period ended 30 September 2011 RO'000
Provided during the period – general (note 13)	(1,030)	(540)
Provided during the period – specific (note 13)	(7,620)	(2,230)
Provisions released / written back (note 13)	871	2,507
Adjustments as a result of fair value unwind	4,624	-
Reserved interest released (note 13)	310	392
Written-off loans recovered	551	511
	(2,294)	640

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10 Other operating expenses

	Nine months period ended 30 September 2012 RO'000	Nine months period ended 30 September 2011 RO'000
Employee compensation and benefits	(12,821)	(6,711)
General and administrative expenses	(12,320)	(7,017)
Depreciation of property, plant and equipment	(847)	(246)
	(25,988)	(13,974)

11 Amortisation of intangible assets

	Nine months period ended 30 September 2012 RO'000	Nine months period ended 30 September 2011 RO'000
This represents amortisation of intangible assets as result of business combination accounted for as follows :		
Core deposits	(587)	-
Customer relationships	(175)	-
	(762)	-

12 Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders, being profit for the weighted average number of shares in issue, as follows:

	30 September 2012	30 September 2011	31 December 2011
Weighted average number of shares in issue ('000)	1,426,938	980,153	980,153
Net profit for the period (RO'000)	10,565	11,029	15,528
Basic earnings per share – annualised (RO)	0.010	0.015	0.016

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13 Loans and advances to customers

Under IFRS 3 – Business Combinations, the acquirer does not recognise a provision for loan impairments on initial recognition of loans acquired in a business combination. The table below provides an analysis of loans and advances to customers as per the IFRS requirements.

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
Overdrafts	96,373	16,638	14,341
Loans	1,124,422	455,594	433,586
Bills discounted / purchased	25,642	19,424	17,028
Gross loans and advances	1,246,437	491,656	464,955
Provision for loan impairment - specific	(9,417)	(3,284)	(3,445)
Provision for loan impairment - general	(6,659)	(6,179)	(5,644)
Reserved interest	(5,641)	(1,843)	(1,586)
Net loans and advances	1,224,720	480,350	454,280

To comply with the CBO regulations, the table below includes the provision for loan impairment on loans acquired in the business combination.

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
Overdrafts	96,373	16,638	14,341
Loans	1,198,575	455,594	433,586
Bills discounted / purchased	25,642	19,424	17,028
Gross loans and advances	1,320,590	491,656	464,955
Provision for loan impairment - specific	(34,933)	(3,284)	(3,445)
Provision for loan impairment - general	(16,654)	(6,179)	(5,644)
Reserved interest	(44,283)	(1,843)	(1,586)
Net loans and advances	1,224,720	480,350	454,280

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

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
0-5%	668,858	250,477	248,128
5-7%	245,417	146,769	127,860
7-10%	338,269	80,834	76,343
10-13%	54,990	3,697	2,723
more than 13%	13,056	9,879	9,901
	1,320,590	491,656	464,955

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13 Loans and advances to customers (continued)

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

	30 September 2012 RO'000	30 September 2011 RO'000	31 December 2011 RO'000
0-6 months	392,054	244,637	207,711
6-12 months	80,559	25,955	26,551
1-3 years	146,510	66,569	75,962
3-5 years	148,918	65,316	62,448
More than 5 years	456,679	77,873	81,608
	1,224,720	480,350	454,280

Concentration of loans and advances:

Loans and advances to customers by industry sector

	30 September 2012 RO'000	30 September 2011 RO'000	31 December 2011 RO'000
Personal and consumer loans	432,483	93,730	105,124
Corporate and commercial			
Import trade	151,034	109,528	104,803
Construction	47,681	14,977	17,894
Manufacturing	150,995	83,792	76,479
Wholesale and retail trade	30,937	22,774	26,272
Export trade	6,585	5,818	7,996
Electricity, gas, water, transportation and communication	135,281	41,693	5,320
Services	136,338	87,410	83,044
Mining and quarrying	124,194	12,866	18,510
Others	65,077	18,722	19,228
	848,122	397,580	359,546
Financial institutions	39,985	346	285
Total gross loans and advances	1,320,590	491,656	464,955
Provision for loan impairment - specific	(34,933)	(3,284)	(3,445)
Provision for loan impairment - general	(16,654)	(6,179)	(5,644)
Reserved interest	(44,283)	(1,843)	(1,586)
Net loans and advances	1,224,720	480,350	454,280
Non performing loans	91,541	5,593	5,427

13 Loans and advances (continued)

Concentration of loans and advances (continued):

Specific provision for loan impairment and reserved interest represent 86.54% of gross non-performing loans and advances.

Non-performing loans includes Government soft loans, amounting to RO 2.74m, in which the principal is guaranteed and part of the interest serviced by the Government of the Sultanate of Oman are past due. Adequate provision for impairment is established for the portion of interest not serviced by the customers.

Provision for loan impairment and reserved interest:

The movement on provision for loan impairment for the nine months period ended 30 September 2012 is analysed in the table below:

	Specific provision RO'000	General provision RO'000	Total provision RO'000
Balance at 1 January 2012	3,445	5,644	9,089
Transfers as result of business combination	33,402	9,995	43,397
Currency translation effect on opening balance	(1)	(1)	(2)
Provided during the period	7,620	1,030	8,650
Released during the period:			
-Due to recoveries/releases	(698)	-	(698)
-Due to write back	(159)	(14)	(173)
Written off during the period	(8,676)	-	(8,676)
Balance at 30 September 2012	34,933	16,654	51,587

The movement on provision for loan impairment for the nine months period ended 30 September 2011 is analysed in the table below:

	Specific provision RO'000	General provision RO'000	Total provision RO'000
Balance at 1 January 2011	4,980	5,639	10,619
Provided during the period	2,230	540	2,770
Due to recoveries / releases	(2,507)	-	(2,507)
Written off during the period	(1,419)	-	(1,419)
Balance at 30 September 2011	3,284	6,179	9,463

The movement on reserved interest for the period is analysed as below:

	30 September 2012 RO'000	30 September 2011 RO'000
Balance at the beginning of the period	1,586	1,956
Transfers as result of business combination	47,102	-
Reserved during the period	4,728	448
Released to the statement of income in loan impairments - credit	(310)	(392)
Written off during the period	(8,823)	(169)
Balance at end of the period	44,283	1,843

The estimated fair value of loans and advances is not materially different from the book value of loans and advances, other than as disclosed in note 5.

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14 Financial investments

Financial investments details are provided as follows:

	Fair value	Fair value	Fair value	Carrying value	Carrying value	Carrying value	Cost	Cost	Cost
	30 September	30 September	31 December	30 September	30 September	31 December	30 September	30 September	31 December
	2012	2011	2011	2012	2011	2011	2012	2011	2011
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Marketable securities – MSM									
Finance	1,960	-	-	1,960	-	-	1,911	-	-
Insurance	378	-	-	378	-	-	340	-	-
Services	361	-	-	361	-	-	361	-	-
Industrial	48	-	-	48	-	-	54	-	-
Government bonds	41,899	24,626	29,727	41,899	24,626	29,727	41,124	24,069	29,327
Other bonds	224	-	-	224	-	-	220	-	-
	44,870	24,626	29,727	44,870	24,626	29,727	44,010	24,069	29,327
Marketable securities – Foreign by Sector									
Government securities	2,418	-	-	2,418	-	-	2,384	-	-
Foreign shares	2,777	-	-	2,777	-	-	2,417	-	-
	5,195	-	-	5,195	-	-	4,801	-	-
Unquoted and other investments									
Certificates of Deposits				500,010	280,002	275,011	500,010	280,000	275,011
Treasury Bills - overseas				1,427	-	-	1,375	-	-
Unquoted Omani shares				1,010	-	-	1,010	-	-
Investment fund units				11,372	-	-	11,696	-	-
				513,819	<u>280,002</u>	<u>275,011</u>	514,091	<u>280,000</u>	<u>275,011</u>
Total				563,884	304,628	304,738	562,902	304,069	304,338

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14 Financial Investments (continued)
Details of investments

	Fair value 30 September 2012 RO'000	Carrying value 30 September 2012 RO'000	Cost 30 September 2012 RO'000
MSM quoted securities			
Government bonds	41,899	41,899	41,124
Others	2,971	2,971	2,886
	<u>44,870</u>	<u>44,870</u>	<u>44,010</u>
Foreign listed securities			
Government securities	2,418	2,418	2,384
Foreign shares	2,777	2,777	2,417
Total quoted securities	<u><u>50,065</u></u>	<u><u>50,065</u></u>	<u><u>48,811</u></u>
Unquoted securities			
Oman (shares and units)		12,382	12,706
Certificates of deposits		500,010	500,010
Treasury bills – overseas		1,427	1,375
Total unquoted securities		<u><u>513,819</u></u>	<u><u>514,091</u></u>
Total investments		<u><u>563,884</u></u>	<u><u>562,902</u></u>

Details of classification of investments are given below:

	30 September 2012 RO'000	30 September 2011 RO'000	31 December 2011 RO'000
Available-for-sale (AFS)	<u>563,884</u>	304,628	304,738
	<u><u>563,884</u></u>	<u>304,628</u>	<u>304,738</u>

Details of AFS investments are as follows:

	30 September 2012 RO'000	30 September 2011 RO'000	31 December 2011 RO'000
Cost of:			
Quoted - Foreign Government securities	4,801	-	-
Quoted - Equity and other securities-Oman	44,010	24,069	29,327
Unquoted investments	514,091	280,000	275,011
	<u>562,902</u>	304,069	304,338
Revaluation gain of:			
Quoted - Foreign Government securities	34	-	-
Quoted - Equity and other securities-Oman	948	559	400
	<u>563,884</u>	304,628	304,738

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15 Other assets

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
Derivatives - positive mark to market	2,061	2,717	1,575
Prepayments and accrued income	1,450	1,242	651
Deferred tax asset	5,050	418	1,103
Acceptances	96,146	41,483	63,088
Others	10,079	103	454
	114,786	45,963	66,871

16 Intangible assets

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
Customer relationships	3,691	-	-
Core deposits	12,306	-	-
	15,997	-	-
Less: amortised	(762)	-	-
	15,235	-	-

17 Property plant and equipment

During the nine months period ended an amount of RO 31.4m was included as a result of business combination as referred to in note 5. This includes net book value of Freehold land and building of RO 24.3m.

18 Deposits

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
Deposits details are as follows:			
Current and call	1,056,811	422,387	414,687
Savings	432,959	83,315	83,668
Time deposits	379,325	264,213	245,675
Others	6,034	5,035	3,720
	1,875,129	774,950	747,750

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18 Deposits (continued)

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

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
0-6 months	799,933	357,380	354,217
6-12 months	324,399	121,253	103,211
1-3 years	189,838	53,924	54,182
3-5 years	133,294	51,919	54,159
Over 5 years	427,665	190,474	181,981
	1,875,129	774,950	747,750

The interest rate bands of deposits are as follows:

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
0-2%	1,752,639	690,321	664,852
2-4%	117,657	78,368	82,348
4-6%	578	6,261	550
6-8%	99	-	-
8-10 %	3,115	-	-
more than 10%	1,041	-	-
	1,875,129	774,950	747,750

19 Other liabilities

	30 September	30 September	31 December
	2012	2011	2011
	RO'000	RO'000	RO'000
Derivatives - negative mark to market	4,057	2,788	1,560
Deferred tax liability	551	-	-
Retirement benefit liability	1,711	384	349
Acceptances	96,146	41,483	63,088
Tax liability	3,704	4,458	4,924
Accruals and deferred income	12,950	7,364	9,322
Others	7,740	2,909	3,302
	126,859	59,386	82,545

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20 Contingent liabilities, commitments and derivatives

	30 September 2012 RO'000	30 September 2011 RO'000	31 December 2011 RO'000
Forward forex contracts – sales	277,203	121,198	48,635
Forward forex contracts – purchases	281,171	121,198	48,635
Currency Swaps	134,750	-	-
Options	4,363	2,054	2,586
Interest rate swaps	147,071	31,647	28,913
Undrawn unconditionally cancellable commitments	525,668	438,907	473,512
Undrawn unconditionally non-cancellable commitments	17,398	20,730	11,903
	<u>1,387,624</u>	<u>735,734</u>	<u>614,184</u>

As at 30 September 2012, 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 it therefore does not consider it necessary to make any additional provisions in this regard.

21 Basis of valuing financial assets and liabilities measured at fair value

	<u>Valuation techniques</u>			Total RO'000
	Quoted market price Level 1 RO'000	Using observable inputs Level 2 RO'000	With significant unobservable inputs Level 3 RO'000	
At 30 September 2012				
Assets				
Derivatives	-	2,061	-	2,061
Financial investments: available-for-sale	5,524	557,350	1,010	563,884
Liabilities				
Derivatives	-	4,057	-	4,057
At 30 September 2011				
Assets				
Derivatives	-	2,717	-	2,717
Financial investments: available-for-sale	-	304,628	-	304,628
Liabilities				
Derivatives	-	2,788	-	2,788

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22 Asset liability mismatch

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

Maturities	30 September 2012			30 September 2011			31 December 2011		
	Assets	Liabilities and equity	Mismatch	Assets	Liabilities and equity	Mismatch	Assets	Liabilities and equity	Mismatch
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
0-6 months	1,340,817	967,235	373,582	707,483	451,268	256,215	675,832	414,532	261,300
6-12 months	100,494	324,258	(223,764)	30,554	132,281	(101,727)	31,725	168,257	(136,532)
1-3 years	164,700	189,838	(25,138)	68,614	53,924	14,690	78,627	54,182	24,445
3-5 years	196,996	133,294	63,702	91,929	51,919	40,010	94,734	52,710	42,024
more than 5 years	523,893	712,275	(188,382)	79,752	288,940	(209,188)	89,210	280,447	(191,237)
	2,326,900	2,326,900	-	978,332	978,332	-	970,128	970,128	-

23 Exposure to credit risk

	Loans and advances (As per CBO)			Due from banks			Financial investments		
	30 September 2012	30 September 2011	31 December 2011	30 September 2012	30 September 2011	31 December 2011	30 September 2012	30 September 2011	31 December 2011
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Individually impaired - non performing	91,541	5,593	5,427	-	-	-	-	-	-
Provision for loan impairment - specific and reserved interest	(79,216)	(5,127)	(5,031)	-	-	-	-	-	-
Carrying amount of non-performing	12,325	466	396	-	-	-	-	-	-
Past due and not impaired	51,183	8,102	5,418	-	-	-	-	-	-
Neither past due nor impaired	1,177,866	477,961	454,110	202,933	112,223	101,380	563,884	304,628	304,738
Allowance for collective impairment	(16,654)	(6,179)	(5,644)	-	-	-	-	-	-
Total carrying amount	1,224,720	480,350	454,280	202,933	112,223	101,380	563,884	304,628	304,738

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24 Share capital

The share capital of the Bank is divided into 2,000,312,790 fully paid shares of RO 0.100 each (30 September 2011 – 968,052,611 shares of RO 0.100 each) against the authorised share capital of 7,500 million shares of RO 0.100 each.

Of the above share capital of the Bank ordinary shares of 1,020,159,523 were issued on 3 June 2012 to HSBC as part of the merger with OIB.

Major Shareholder

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

	30 September	30 September	31 December
	2012	2011	2011
	Number of	Number of	Number of
	shares	shares	shares
1 HSBC Bank Middle East Limited	1,020,159,523	-	-
2 H.E. Dr. Omar Bin Abdul Muneim Al Zawawi	-	97,483,598	97,483,598

25 Reserves

(a) Legal reserve

In accordance with the Commercial Companies Law of Oman 1974 as amended, annual appropriations of 10% of the profit for the year, before Directors' remuneration, 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) Statutory reserve

Regulations issued on 30 September 2000 by the authority regulating the banking activities in India, in which certain branches operate, require the branches to appropriate 25% of their profits for the year to a statutory reserve, which is not distributable without the prior permission of the regulatory authority. An earlier regulation issued on 27 March 1989, required the branches in India to appropriate 20% of their profits to a statutory reserve until the year 2000. In this respect an amount of RO 310,000 has been transferred to statutory reserve during the nine month period ended 30 September 2012 (2011 - RO 227,000).

(c) Merger reserve

The merger reserve arises from the application of the principles of reverse acquisition accounting for the business combination of HSBC Bank Middle East Limited Oman branches and OIB in June 2012. In accordance with IFRSs the acquisition has been accounted for as a reverse acquisition as explained in note 5.

(d) Available-for-sale fair value reserve

Available-for-sale fair value reserve represents fair value changes in available-for-sale financial assets.

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

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.

Related parties also includes key management personnel and HSBC Group and related entities. Details are provided separately where amounts relating to an individual director and/or significant shareholder and his/her related parties are greater than 5% of the total of related party loans and advances. Others represent transactions with parties related to more than one director.

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26 Related parties and holders of 10 % of the Bank's shares (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:

	Significant shareholder - HSBC and related group entities	Directors	Key management personnel	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
30 September 2012					
Loans and advances	-	31	360	18,614	19,005
Current, deposit and other accounts	-	-	-	46,317	46,317
Letters of credit and guarantees	-	-	-	4,108	4,108
Provision for loans and advances	-	-	-	(730)	(730)
Due from banks	12,027	-	-	-	12,027
Due to banks	11,272	-	-	-	11,272
For the period ended 30 September 2012					
Interest income	4	-	-	535	539
Interest expense	(5)	-	-	(125)	(130)
Net fee income	77	-	-	-	77
Other operating income	-	-	-	8	8
Other operating expenses:	(4,868)	(4)	(859)	(296)	(6,027)
Purchase of property and equipment	-	-	-	38	38

Loans and advances include non-performing loans amounting to RO 1.68m which are fully secured by cash collaterals and bank guarantees.

	Significant shareholder - HSBC and related group entities	Directors	Key management personnel	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
30 September 2011					
Loans and advances	-	-	115	-	115
Current, deposit and other accounts	-	-	-	-	-
Letters of credit and guarantees	-	-	-	-	-
Provision for loans and advances	-	-	-	-	-
Due from banks	2,523	-	-	-	2,523
Due to banks	(8,151)	-	-	-	(8,151)
For the period ended 30 September 2011					
Interest income	-	-	-	-	-
Interest expense	(1)	-	-	-	(1)
Net fee income	312	-	-	-	312
Other operating expenses	(4,198)	-	(636)	-	(4,834)

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27 Operating segments

The factors used to identify the Bank's reporting segment are discussed in the financial statements for the year ended 31 December 2011.

Geographical areas

A geographical analysis of key financial data by location of primary assets as at 30 September 2012 is set out below:

	Oman	Others	Adjustments	Total
30 September 2012	RO'000	RO'000	RO'000	RO'000
Net operating income before loan impairment charges and other credit risk provisions	41,381	189	-	41,570
Loan impairment charges and other credit risk provisions	(2,300)	6	-	(2,294)
Net operating income	39,081	195	-	39,276
Total Operating Expenses	(26,353)	(397)	-	(26,750)
Profit before tax	12,728	(202)	-	12,526
Tax expense	(1,359)	(602)	-	(1,961)
Profit for the period	11,369	(804)	-	10,565
Loans and advances to customers (net)	1,223,058	1,662	-	1,224,720
Total assets	2,318,887	36,876	(28,863)	2,326,900
Deposits from customers	1,862,379	12,750	-	1,875,129
Total liabilities	2,023,616	16,853	(11,596)	2,028,873

A geographical analysis of key financial data by location of primary assets as at 30 September 2011 is set out below:

	Oman	Others	Adjustments	Total
30 September 2011	RO'000	RO'000	RO'000	RO'000
Net operating income before loan impairment charges and other credit risk provisions	26,046	-	-	26,046
Loan impairment charges and other credit risk provisions	640	-	-	640
Net operating income	26,686	-	-	26,686
Total operating expenses	(13,974)	-	-	(13,974)
Profit before tax	12,712	-	-	12,712
Tax expense	(1,683)	-	-	(1,683)
Profit for the period	11,029	-	-	11,029
Loans and advances to customers (net)	480,350	-	-	480,350
Total assets	978,332	-	-	978,332
Deposits from customers	774,950	-	-	774,950
Total liabilities	868,607	-	-	868,607

Business Line segment

Information regarding products and services are discussed in note 4 to these unaudited condensed financial statements. The results of each reportable segment have not been presented as it is impracticable to do so.

HSBC Bank Oman S.A.O.G. (formerly Oman International Bank S.A.O.G.)
Notes to the unaudited interim condensed financial statements for the nine months period ended
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28 Capital adequacy ratio

Details of capital adequacy, calculated in accordance with the norms prescribed by the Bank for International Settlements (BIS), are given below:

	30 September 2012 RO'000	30 September 2011 RO'000	31 December 2011 RO'000
Tier I and tier II capital	278,616	103,599	118,675
Risk-weighted assets	1,766,449	685,013	688,134
Capital adequacy ratio %	15.77%	15.12%	17.25%

29 Cash and cash equivalents

	30 September 2012 RO'000	30 September 2011 RO'000	31 December 2011 RO'000
<i>Unaudited interim condensed balance sheet comprise:</i>			
Cash and balances with central banks	171,957	33,787	41,401
Due from Banks	202,933	112,223	101,380
Due to Banks	(26,885)	(34,271)	(25,699)
	348,005	111,739	117,082
Adjustment for items maturing after three months from date of acquisition and restricted balances	(15,958)	(500)	(500)
	332,047	111,239	116,582
<i>Cash and cash equivalent comprise:</i>			
Cash and balances with central banks	155,999	33,287	40,901
Due from Banks	202,933	112,223	101,380
Due to Banks	(26,885)	(34,271)	(25,699)
Total	332,047	111,239	116,582