



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

**Interim Condensed Financial Report**  
**30 September 2015**

**HSBC** 

**Interim Condensed Financial Report – 30 September 2015**

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**Presentation of information**

This document comprises the Interim Condensed Financial Report – 30 September 2015 for HSBC Bank Oman S.A.O.G. ('HBON') ('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 for the nine months ended 30 September 2015

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present your Bank's third quarter financial results for 2015.

During this quarter there has been a particular focus on improving the customer experience we offer in support of our strategy. We are determined to distinguish HSBC Bank Oman from its competitors through the customer service it provides. This has been encapsulated within a staff focused campaign called "Absher" that seeks to nurture a greater sense of commitment and ownership towards our customers.

### Performance Summary

Our year to date performance shows a 14.7% decrease in net profit of RO8.1m compared to RO9.5m for the same period in 2014, mainly due to there being no repetition of the one-off tax reversal that was booked in 2014.

Net operating income, before loan impairment charges, increased by 1.5% to RO53.8m compared to RO53.0m for the same period last year due to higher net interest income, net fee income and other operating income.

Net interest income increased by 0.3% to RO36.6m for the period ended 30 September 2015, up from RO36.5m for the same period in 2014, due to an increase in corporate loans and advances. Net fee income increased by 2.1% to RO9.7m in comparison to RO9.5m for the period ended 30 September 2014 due to higher fees from the trade finance business. Growth in other operating income of RO1.7m for the period ended 30 September 2015, compared to RO0.6m for the same period in 2014, was due to a gain on the sale of HSBC Bank Oman's India operations of RO0.8m and a gain on the sale of non-core investments of RO0.7m.

A net charge of RO2.9m has been reported for loan impairment charges mainly from retail specific provisions of RO2.5m and a corporate general provision charge of RO1.1m resulting from an increase in corporate loans and advances. These were partly offset by a net reversal of RO1m from corporate customers, compared to a net charge of RO2.6m for the same period in 2014.

Operating expenses increased by 1.2% to RO41.2m compared to RO40.7m for the same period in 2014.

Loans and advances, net of provisions and reserved interest, as at 30 September 2015 increased by 13.2% to RO1,288.8m compared to RO1,138.5m as at 30 September 2014, due to an increase in corporate loans and advances.

Customer deposits increased by 4.5% to RO1,881.2m compared to RO1,800.3m as at 30 September 2014. The bank remains one of the most liquid in the market with a loan: deposit ratio of 68.5%.

HSBC Bank Oman's capital adequacy ratio stood at 18.1% as at 30 September 2015 compared to 17.9% as at 30 September 2014, representing a continuing strong capital base for future growth.

We are pleased that Fitch, the New York and London-headquartered global ratings agency, has re-affirmed HSBC Bank Oman's IDR (Issuer Default Rating) at 'A+', and upgraded our VR (Viability Rating) to 'bbb-' from 'bb+'. While the outlook has been revised downward, HSBC Bank Oman remains the best rated bank in the Sultanate.

### Delivering the best customer experience

In Retail Banking and Wealth Management we have seen further improvement in the Customer Recommendation Index in our key segment of Premier. The Customer Recommendation Index is an externally administered survey that measures customer feedback in terms of their overall banking experience. Strong momentum has been seen in mortgage sales which have grown 68% year-on-year. We also strengthened our digital banking platform with the introduction of 3D Secure that offers customers enhanced security protection when using their credit and debit cards for online transactions.

In Commercial Banking, we continued to demonstrate our support to SMEs (Small and Medium Enterprises) in Oman through our latest Growth Series seminar on "Taking the lead in Oman's infrastructure development". Many of our SME clients attended to hear from, and interact with, industry experts who addressed the event. We were also delighted to win, for the 4<sup>th</sup> consecutive year, the Euromoney Award for the Best Cash Management Bank in Oman. This success once again reflects the strength of our Payments and Cash Management solutions which we can offer to our corporate clients in Oman.

**Investing in our people and the community**

In support of our strategic priority to implement Global Standards, around 150 members of our staff received tailored training to enhance the way they interact with customers to ensure we are better able to protect the bank and all its stakeholders from the growing risk of financial crime.

Separately, staff were given the opportunity to share confidential feedback in an annual staff survey that measures staff engagement and enablement. Summary feedback showed strong levels of engagement and enablement, both of which are positive indicators in terms of how HSBC Bank Oman is operating in the eyes of its staff.

HSBC Bank Oman is also proud that one of its senior managers, Saud Al Shidhani – Chief Operating Officer, joined the prestigious National CEO Programme launched by the Diwan of Royal Court this year. The 12-month programme aims to deliver a transformational learning experience for senior Omani private sector executives and its next-generation CEOs.

The bank partnered with the British Council and the Public Authority of SMEs Development (Riyada) to design and deliver the “Springboard Programme” to 32 young Omani female entrepreneurs in Muscat. The three day programme sought to equip delegates with new skills to help them achieve personal and professional growth, and two further sessions will be held in the Dhofar and Al Dakhiliyah regions.

**Conclusion**

Finally, and on behalf of the Board of Directors, I would like to express my sincere thanks to the bank’s staff and management for their hard work. In addition, special thanks go to the Central Bank of Oman and the Capital Market Authority for their support and guidance.

I would also like to take this opportunity to congratulate the Omani nation on the occasion of its 45th National Day, wishing the country further prosperity under the wise leadership of His Majesty Sultan Qaboos bin Said.

**David Eldon**  
**Chairman**

Summary of unaudited results for the nine months period ended 30 September 2015

	30 September 2015 RO'000	30 September 2014 RO'000	Change (%)
<b>Loans and advances net of provisions and reserved interest</b>	<b>1,288,819</b>	1,138,455	13.2
<b>Customer deposits</b>	<b>1,881,209</b>	1,800,319	4.5
<b>Net assets</b>	<b>306,590</b>	308,636	(0.7)
* <b>Net assets per share</b>	<b>0.153</b>	0.154	(0.6)
	<b>Nine months period ended 30 September 2015 RO'000</b>	<b>Nine months period ended 30 September 2014 RO'000</b>	<b>Change (%)</b>
<b>Net interest income</b>	<b>36,649</b>	36,544	0.3
<b>Net profit for the period</b>	<b>8,063</b>	9,480	(14.9)
** <b>Earnings per share (annualised)</b>	<b>0.005</b>	0.006	(16.7)
*** <b>Capital adequacy ratio (CAR)</b>	<b>18.11%</b>	17.94%	0.17

\* 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) has 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.



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

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of HSBC Bank Oman SAOG as of 30 September 2015, and the related condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed 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 this condensed 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. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’ and the minimum disclosure requirements issued by the Capital Market Authority (“CMA”).

28 October 2015  
Muscat, Sultanate of Oman

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**Unaudited interim condensed statement of comprehensive income for the nine months period ended 30 September 2015**

		<b>Quarter ended 30 September 2015</b>	Quarter ended 30 September 2014	<b>Nine months period ended 30 September 2015</b>	Nine months period ended 30 September 2014
	<i>Notes</i>	<b>RO' 000</b>	RO' 000	<b>RO' 000</b>	RO' 000
Interest income	5	<b>14,199</b>	15,265	<b>41,969</b>	41,929
Interest expense	6	<b>(1,649)</b>	(1,869)	<b>(5,320)</b>	(5,385)
<b>Net interest income</b>		<b>12,550</b>	13,396	<b>36,649</b>	36,544
Net fee income		<b>2,911</b>	3,362	<b>9,705</b>	9,524
Net exchange income		<b>2,130</b>	2,043	<b>5,491</b>	5,476
Dividend income		<b>1</b>	-	<b>294</b>	828
Other operating income	7	<b>96</b>	42	<b>1,671</b>	590
<b>Net operating income before loan impairment charges and other credit risk provisions</b>		<b>17,688</b>	18,843	<b>53,810</b>	52,962
Loan impairment (charges) and other credit risk provisions - net of recoveries	8	<b>(683)</b>	(1,367)	<b>(2,929)</b>	(2,602)
<b>Net operating income</b>		<b>17,005</b>	17,476	<b>50,881</b>	50,360
Operating expenses	9	<b>(12,975)</b>	(13,671)	<b>(39,504)</b>	(39,001)
Amortization of intangible assets	10	<b>(571)</b>	(571)	<b>(1,714)</b>	(1,714)
<b>Total operating expenses</b>		<b>(13,546)</b>	(14,242)	<b>(41,218)</b>	(40,715)
<b>Profit before tax</b>		<b>3,459</b>	3,234	<b>9,663</b>	9,645
Tax expense		<b>(565)</b>	578	<b>(1,600)</b>	(165)
<b>Profit for the period</b>		<b>2,894</b>	3,812	<b>8,063</b>	9,480
<b>Other comprehensive income / (loss)</b>					
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>					
Available-for-sale investment					
- Fair value (loss) / gain		<b>(367)</b>	1,074	<b>(170)</b>	1,071
- Fair value gain reclassified to profit or loss		-	-	<b>(646)</b>	-
- Amount reclassified to profit or loss in respect of impairment		-	-	<b>22</b>	-
- Income tax		<b>42</b>	(114)	<b>78</b>	(108)
		<b>(325)</b>	960	<b>(716)</b>	963
Exchange differences					
- Foreign exchange loss reclassified to profit or loss on disposal of India operations		-	-	<b>216</b>	-
- Effect of currency translation		<b>117</b>	(67)	<b>174</b>	(50)
		<b>117</b>	(67)	<b>390</b>	(50)
<b>Other comprehensive (loss) / income for the period - net of tax</b>		<b>(208)</b>	893	<b>(326)</b>	913
<b>Total comprehensive income for the period</b>		<b>2,686</b>	4,705	<b>7,737</b>	10,393
<b>Earnings per share - basic (RO)</b>	11				
<b>Basic (RO) – for the period</b>		<b>0.001</b>	0.002	<b>0.004</b>	0.005
<b>Basic (RO) – Annualised</b>		<b>0.006</b>	0.008	<b>0.005</b>	0.006

The accompanying notes on pages 11 to 28 form an integral part of these interim condensed financial statements.

Unaudited interim condensed statement of financial position as at 30 September 2015

		At 30 September 2015	At 30 September 2014	Audited At 31 December 2014
	<i>Notes</i>	RO'000	RO'000	RO'000
<b>Assets</b>				
Cash and balances with central banks		318,037	153,892	180,007
Due from banks		186,368	266,529	155,902
Loans and advances to customers - net	12	1,288,819	1,138,455	1,161,313
Financial investments	13	421,202	561,684	666,151
Other assets	14	39,739	64,268	39,433
Intangible assets	15	8,380	10,665	10,094
Property and equipment	16	27,394	30,442	30,012
<b>Total assets</b>		<b>2,289,939</b>	2,225,935	2,242,912
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Due to banks		50,330	56,677	29,215
Deposits from customers	17	1,881,209	1,800,319	1,852,339
Other liabilities	18	51,810	60,303	51,481
<b>Total liabilities</b>		<b>1,983,349</b>	1,917,299	1,933,035
<b>Equity</b>				
Share capital	23	200,031	200,031	200,031
Legal reserve	24(a)	34,984	33,759	34,984
Statutory reserve	24(b)	-	1,488	1,446
Available-for-sale fair value reserve	24(c)	3,881	6,029	4,597
Foreign exchange reserve	24(d)	(130)	(281)	(497)
Retained earnings		67,824	67,610	69,316
<b>Net equity</b>		<b>306,590</b>	308,636	309,877
<b>Total liabilities and equity</b>		<b>2,289,939</b>	2,225,935	2,242,912
<b>Net assets per share - RO</b>		<b>0.153</b>	0.154	0.155
<b>Off-balance sheet items:</b>				
<b>Contingent liabilities and commitments</b>				
- Documentary credits		71,599	98,992	112,283
- Guarantees		381,256	288,657	325,329
- Others	19	1,178,124	1,115,754	1,147,461
		<b>1,630,979</b>	1,503,403	1,585,073

The accompanying notes on pages 11 to 28 form an integral part of these interim condensed financial statements.

The interim condensed financial statements were authorised for issue on 28 October 2015 in accordance with the resolution of the Board of Directors.

**David Eldon**  
Chairman

**Andrew Long**  
Chief Executive Officer



Unaudited interim condensed statement of changes in equity for the nine months period ended 30 September 2015

	Share capital RO'000	Legal reserve RO'000	Statutory reserve RO'000	Available-for- sale fair value reserve RO'000	Foreign exchange reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2014	200,031	33,759	1,486	5,066	-	65,505	305,847
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	9,480	9,480
Other comprehensive income / (loss) for the period							
Effect of currency translation	-	-	2	-	(52)	-	(50)
Net movement in fair value of available-for-sale investments (net of tax)	-	-	-	963	-	-	963
Total other comprehensive income / (loss) for the period	-	-	2	963	(52)	-	913
Total comprehensive income / (loss) for the period	-	-	2	963	(52)	9,480	10,393
Transfer from retained profits	-	-	-	-	(229)	229	-
	-	-	2	963	(281)	9,709	10,393
Transaction with shareholders, recorded directly in equity							
Dividend paid for 2013	-	-	-	-	-	(7,604)	(7,604)
At 30 September 2014	200,031	33,759	1,488	6,029	(281)	67,610	308,636
<b>At 1 January 2015</b>	<b>200,031</b>	<b>34,984</b>	<b>1,446</b>	<b>4,597</b>	<b>(497)</b>	<b>69,316</b>	<b>309,877</b>
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	8,063	8,063
<b>Other comprehensive income / (loss) for the period</b>							
Exchange differences	-	-	23	-	367	-	390
Net movement in fair value of available-for-sale investments (net of tax)	-	-	-	(716)	-	-	(716)
<b>Total other comprehensive income / (loss) for the period</b>	-	-	23	(716)	367	-	(326)
<b>Total comprehensive income for the period</b>	-	-	23	(716)	367	8,063	7,737
Transfer to retained profits on sale of India operations	-	-	(1,469)	-	-	1,469	-
<b>Transaction with shareholders, recorded directly in equity</b>							
Dividend paid for 2014	-	-	-	-	-	(11,024)	(11,024)
<b>At 30 September 2015</b>	<b>200,031</b>	<b>34,984</b>	<b>-</b>	<b>3,881</b>	<b>(130)</b>	<b>67,824</b>	<b>306,590</b>

The accompanying notes on pages 11 to 28 form an integral part of these interim condensed financial statements

Unaudited interim condensed statement of cash flows for the nine months period ended 30 September 2015

	Nine months ended 30 September 2015 RO' 000	Nine months ended 30 September 2014 RO' 000
<i>Notes</i>		
<b>Cash flows from operating activities</b>		
Profit before tax	9,663	9,645
Adjustments for:		
– Loan impairment (charges) and other credit risk provisions - net of recoveries	2,929	2,602
– Depreciation of property and equipment	1,435	1,581
– Amortisation of intangible assets	1,714	1,714
– Gain on sale of a financial investment	(664)	-
– Gain on sale of property and equipment	(66)	(444)
– Effect of currency translation	(36)	(67)
– change in operating assets		
change in due from banks	(4,240)	-
change in loans and advances to customers-net	(130,476)	(160,585)
change in other assets	(602)	(2,550)
– change in operating liabilities		
change in deposits from customers	36,536	7,616
change other liabilities	139	(19,989)
– tax paid	(915)	(218)
<b>Net cash (used in) operating activities</b>	<b>(84,583)</b>	<b>(160,695)</b>
<b>Cash flows from investing activities</b>		
Purchase of financial investments	(3,605,892)	(5,131,093)
Proceeds from maturity of financial investments	3,848,220	5,393,791
Purchase of property and equipment	(1,774)	(1,215)
Proceeds from sale of property and equipment	738	450
Cash out flow from sale of India operation, net of cash and cash equivalents	(2,544)	-
<b>Net cash generated from investing activities</b>	<b>238,748</b>	<b>261,933</b>
<b>Cash flows from financing activity</b>		
Dividends paid	(11,024)	(7,604)
<b>Net cash used in financing activity</b>	<b>(11,024)</b>	<b>(7,604)</b>
<b>Net change in cash and cash equivalents</b>	<b>143,141</b>	<b>93,634</b>
Cash and cash equivalents at the beginning of the period	290,808	254,224
<b>Cash and cash equivalents at the end of the period</b>	<b>433,949</b>	<b>347,858</b>

The accompanying notes on pages 11 to 28 form an integral part of these interim condensed financial statements.

**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 and Pakistan. The registered 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.

HSBC Bank Middle East Limited ('HBME') holds 51% of the shares in the HBON. The ultimate parent company of HBME is HSBC Holdings plc.

In October 2015, 1,020,159,523 shares in HBON were transferred to HSBC Middle East Holdings BV from HBME.

**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 audited financial statements of the Bank as at and for the year ended 31 December 2014 were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB, the disclosure requirements of CMA and the applicable regulations of the CBO.

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

*(b) Presentation of information*

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

*(c) Corresponding figures*

These interim condensed financial statements include corresponding figures information as required by IAS 34 and CMA.

*(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.

**Notes to the interim condensed financial statements (unaudited)**

**2 Basis of preparation (continued)**

*(e) Future accounting developments*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015. None of these is expected to have a significant effect on the interim condensed financial statements of the Bank except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

The mandatory application date for IFRS 9 as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. The Bank is currently assessing the impact of IFRS 9 will have on the financial statements but due to the complexity of the classification and measurement, impairment, and hedge accounting requirements and their inter-relationship, it is not possible at this stage to quantify the potential impact as at the date of the approval of these interim condensed financial statements.

IFRS 15, 'Revenue from Contracts with Customers', will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. This new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The mandatory application date for IFRS 15 is 1 January 2017. The Bank is currently assessing the impact of this standard but it is not practicable to quantify the potential effect at the date of approval of these interim condensed financial statements.

**3 Accounting policies**

The accounting policies applied by the Bank in these interim condensed financial statements are the same as those applied by the Bank in its financial statements as at and for the year ended 31 December 2014.

**4 Products and services**

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

- Retail Banking and Wealth Management ('RBWM') 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') product offerings include the provision of receivables financing services, payments and cash management, international trade finance, treasury and capital markets, commercial cards, cash and derivatives in foreign exchange and rates, and online and direct banking offerings.
- 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.

Notes to the interim condensed financial statements (unaudited)

**5 Interest income**

Interest bearing assets earned interest at an overall annualized rate of 2.88% for the nine months period ended 30 September 2015 (30 September 2014 – 2.82%).

**6 Interest expense**

For the nine months period ended 30 September 2015, the average overall annualised cost of funds was 0.37% (30 September 2014 – 0.39%).

**7 Other operating income**

	<b>Nine months period ended 30 September 2015 RO'000</b>	Nine months period ended 30 September 2014 RO'000
Gain on sale of India operations*	815	-
Gain on sale of a financial investments	664	-
Gain on sale of property and equipment	66	444
Gain on sale of syndicated loans	-	17
Impairment of available-for-sale equity securities	(22)	-
Other income	148	129
	<b>1,671</b>	<b>590</b>

\* Sale of the HBON's banking operations in India:

On 16 April 2014, HBON announced an agreement to sell its banking operations in India to Doha Bank QSC ("Doha Bank"). On 31 March 2015 HBON completed the disposal at sale consideration (net of tax) of RO7.1m and recorded a gain on disposal of RO0.8m.

**8 Loan impairment (charges) and other credit risk provisions - net of recoveries**

	<b>Nine months period ended 30 September 2015 RO'000</b>	Nine months period ended 30 September 2014 RO'000
Provided during the period – general (note 12)	(1,546)	(1,454)
Provided during the period – specific (note 12)	(5,267)	(4,567)
Provisions released / written back (note 12)	1,956	1,438
Adjustments as a result of fair value unwind	450	173
Reserved interest released	237	352
Written-off loans recovered	1,640	1,552
Bad debts directly written off to statement of profit or loss	(399)	(96)
	<b>(2,929)</b>	<b>(2,602)</b>

Notes to the interim condensed financial statements (unaudited)

**9 Operating expenses**

	<b>Nine months period ended 30 September 2015 RO'000</b>	Nine months period ended 30 September 2014 RO'000
Employee compensation and benefits	(18,271)	(18,062)
General and administrative expenses*	(19,798)	(19,358)
Depreciation of property and equipment	(1,435)	(1,581)
	<u>(39,504)</u>	<u>(39,001)</u>

\* General and administrative expenses for the current period include the RO1m of "Mandoos Prize" draw expenses (30 September 2014 : RO1.3m)

**10 Amortisation of intangible assets**

	<b>Nine months period ended 30 September 2015 RO'000</b>	Nine months period ended 30 September 2014 RO'000
This represents amortisation of intangible assets as result of business combination accounted for as follows :		
Core deposits	(1,319)	(1,319)
Customer relationships	(395)	(395)
	<u>(1,714)</u>	<u>(1,714)</u>

**11 Earnings per share basic**

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

	<b>Nine months period ended 30 September 2015</b>	Nine months period ended 30 September 2014	For the year ended 31 December 2014
Weighted average number of shares in issue ('000)	<b>2,000,312</b>	2,000,312	2,000,312
Net profit for the period (RO'000)	<b>8,063</b>	9,480	12,249
Earnings per share basic – (RO)			
Basic (RO) – for the period	<b>0.004</b>	0.005	0.006
Basic (RO) - annualised	<b>0.005</b>	0.006	0.006

Notes to the interim condensed financial statements (unaudited)

**12 Loans and advances to customers - net**

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

	<b>30 September</b>	30 September	31 December
	<b>2015</b>	2014	2014
	<b>RO'000</b>	RO'000	RO'000
Overdrafts	<b>74,795</b>	90,755	79,453
Loans	<b>1,272,550</b>	1,110,779	1,138,184
Bills discounted / purchased	<b>30,929</b>	45,046	43,522
Gross loans and advances	<b>1,378,274</b>	1,246,580	1,261,159
Provision for loan impairment - specific	<b>(28,462)</b>	(37,530)	(36,192)
Provision for loan impairment - general*	<b>(17,423)</b>	(15,691)	(15,880)
Reserved interest	<b>(43,570)</b>	(54,904)	(47,774)
Net loans and advances	<b>1,288,819</b>	1,138,455	1,161,313

\*General provision comprises provision on a portfolio basis for loans and advances to customers.

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

	<b>30 September</b>	30 September	31 December
	<b>2015</b>	2014	2014
	<b>RO'000</b>	RO'000	RO'000
0-5%	<b>826,968</b>	651,175	688,267
5-7%	<b>357,817</b>	339,133	346,635
7-10%	<b>123,561</b>	172,415	160,251
10-13%	<b>48,334</b>	70,197	52,134
more than 13%	<b>21,594</b>	13,660	13,872
	<b>1,378,274</b>	1,246,580	1,261,159

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

	<b>30 September</b>	30 September	31 December
	<b>2015</b>	2014	2014
	<b>RO'000</b>	RO'000	RO'000
0-6 months	<b>489,652</b>	357,184	380,075
6-12 months	<b>5,480</b>	58,305	20,160
1-3 years	<b>62,004</b>	71,587	76,893
3-5 years	<b>194,460</b>	185,174	203,931
More than 5 years	<b>537,223</b>	466,205	480,254
	<b>1,288,819</b>	1,138,455	1,161,313

Notes to the interim condensed financial statements (unaudited)

12 Loans and advances to customers - net (continued)

Concentration of loans and advances:

Loans and advances to customers by industry sector

	<b>30 September</b>	30 September	31 December
	<b>2015</b>	2014	2014
	<b>RO'000</b>	RO'000	RO'000
<b>Personal and consumer loans</b>	<b>472,181</b>	451,379	456,808
<b>Corporate and commercial</b>			
Import trade	<b>167,611</b>	165,008	162,422
Construction	<b>80,245</b>	84,957	82,496
Manufacturing	<b>219,471</b>	162,026	170,345
Wholesale and retail trade	<b>47,095</b>	43,008	39,678
Export trade	<b>7,472</b>	11,734	7,494
Electricity, gas, water, transportation and communication	<b>98,608</b>	76,648	87,472
Services	<b>252,318</b>	198,785	203,606
Mining and quarrying	<b>20,848</b>	20,085	19,304
Others	<b>12,425</b>	32,934	31,518
	<b>906,093</b>	795,185	804,335
<b>Financial institutions</b>	<b>-</b>	16	16
<b>Total gross loans and advances</b>	<b>1,378,274</b>	1,246,580	1,261,159
Provision for loan impairment - specific	<b>(28,462)</b>	(37,530)	(36,192)
Provision for loan impairment - general	<b>(17,423)</b>	(15,691)	(15,880)
Reserved interest	<b>(43,570)</b>	(54,904)	(47,774)
<b>Net loans and advances</b>	<b>1,288,819</b>	1,138,455	1,161,313
<b>Non performing loans</b>	<b>78,990</b>	100,905	92,573

Specific provision for loan impairment and reserved interest represents 91.2% (30 September 2014 – 91.6% and 31 December 2014 – 90.7%) of gross non-performing loans and advances.



Notes to the interim condensed financial statements (unaudited)

12 Loans and advances to customers (continued)

**Provision for loan impairment and reserved interest**

The movement on provision for loan impairment for the nine months period ended 30 September 2015 is analysed in the table below:

	Specific provision RO'000	General provision RO'000	Total provision RO'000
<b>Balance at 1 January 2015</b>	<b>36,192</b>	<b>15,880</b>	<b>52,072</b>
Currency translation effect on opening balance	(27)	-	(27)
Movement due to sale of India operations	-	(3)	(3)
Provided during the period (note 8)	5,267	1,546	6,813
Provisions released (note 8)	(1,956)	-	(1,956)
Written off during the period	(11,014)	-	(11,014)
<b>Balance at 30 September 2015</b>	<b>28,462</b>	<b>17,423</b>	<b>45,885</b>

The movement on provision for loan impairment for the nine months period ended 30 September 2014 is analysed in the table below:

	Specific provision RO'000	General provision RO'000	Total Provision RO'000
Balance at 1 January 2014	37,049	14,237	51,286
Currency translation effect on opening balance	20	-	20
Provided during the period (note 8)	4,567	1,454	6,021
Provisions released (note 8)	(1,438)	-	(1,438)
Written off during the period	(2,668)	-	(2,668)
Balance at 30 September 2014	37,530	15,691	53,221

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

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000
Balance at the beginning of the period	<b>47,774</b>	49,717
Currency translation effect on opening balance	<b>(4)</b>	3
Reserved during the period	<b>6,976</b>	8,103
Released to the statement of profit or loss	<b>(688)</b>	(996)
Written off during the period	<b>(10,488)</b>	(1,923)
Balance at end of the period	<b>43,570</b>	54,904

The estimated fair value of loans and advances is RO1,278m as of 30 September 2015.

Notes to the interim condensed financial statements (unaudited)

13 Financial investments – classified as available for sale

Financial investments details are provided as follows:

	<b>Fair value</b>	Fair value	Fair value	<b>Carrying</b>	Carrying	Carrying	<b>Cost</b>	Cost	Cost
	<b>30 September</b>	30 September	31 December	<b>30 September</b>	30 September	31 December	<b>30 September</b>	30 September	31 December
	<b>2015</b>	2014	2014	<b>2015</b>	2014	2014	<b>2015</b>	2014	2014
	<b>RO'000</b>	RO'000	RO'000	<b>RO'000</b>	RO'000	RO'000	<b>RO'000</b>	RO'000	RO'000
<b>Marketable securities – MSM</b>									
Finance	<b>2,437</b>	2,393	2,370	<b>2,437</b>	2,393	2,370	<b>1,911</b>	1,911	1,911
Insurance	<b>398</b>	352	398	<b>398</b>	352	398	<b>340</b>	340	340
Services	-	431	-	-	431	-	-	361	-
Industrial	<b>47</b>	42	43	<b>47</b>	42	43	<b>33</b>	54	54
Government bonds	<b>85,438</b>	68,471	44,531	<b>85,438</b>	68,471	44,531	<b>85,091</b>	67,342	43,736
	<b>88,320</b>	71,689	47,342	<b>88,320</b>	71,689	47,342	<b>87,375</b>	70,008	46,041
<b>Marketable securities – Foreign by Sector</b>									
Government securities	-	9,688	9,759	-	9,688	9,759	-	9,688	9,759
Foreign shares	<b>5,593</b>	4,323	5,274	<b>5,593</b>	4,323	5,274	<b>2,340</b>	2,340	2,340
	<b>5,593</b>	14,011	15,033	<b>5,593</b>	14,011	15,033	<b>2,340</b>	12,028	12,099
<b>Unquoted and other investments</b>									
Certificates of deposits				-	460,038	590,022	-	460,038	590,022
Treasury bills				<b>322,440</b>	-	-	<b>322,419</b>	-	-
Unquoted Omani shares				<b>1,010</b>	1,010	1,010	<b>1,010</b>	1,010	1,010
Unquoted foreign shares				<b>67</b>	67	67	<b>67</b>	67	67
Investment fund units				<b>3,772</b>	14,869	12,677	<b>3,590</b>	11,717	11,717
				<b>327,289</b>	475,984	603,776	<b>327,086</b>	472,832	602,816
<b>Total</b>				<b>421,202</b>	561,684	666,151	<b>416,801</b>	554,868	660,956

Notes to the interim condensed financial statements (unaudited)

**13 Financial investments (continued)**

Details of AFS investments are as follows:	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
<b>Cost of:</b>			
Quoted - Foreign Government securities	-	9,688	9,759
Quoted - Equity and other investments	<b>89,715</b>	72,348	48,381
Unquoted and other investments	<b>327,086</b>	472,832	602,816
	<b>416,801</b>	554,868	660,956
<b>Revaluation gain of:</b>			
Equity and other securities	<b>4,401</b>	6,816	5,195
	<b>421,202</b>	561,684	666,151

**14 Other assets**

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
Derivatives - positive mark to market	<b>4,582</b>	1,694	2,489
Prepayments and accrued income	<b>1,515</b>	1,873	1,649
Deferred tax asset	<b>2,960</b>	3,103	3,026
Acceptances	<b>29,472</b>	38,151	30,550
Others	<b>1,210</b>	19,447	1,719
	<b>39,739</b>	64,268	39,433

**15 Intangible assets**

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
Core deposits	<b>12,306</b>	12,306	12,306
Customer relationships	<b>3,691</b>	3,691	3,691
	<b>15,997</b>	15,997	15,997
Less: amortised	<b>(7,617)</b>	(5,332)	(5,903)
	<b>8,380</b>	10,665	10,094

**16 Property and equipment**

RO1.8m of property and equipment were added during the period (30 September 2014: RO1.2m) and RO1.3m of property and equipment were sold (RO0.7) and written off (RO0.6m) during the period (30 September 2014: RO12.0m of which property and equipment were sold (RO0.5) and written off (RO11.5m)).

**17 Deposits from customers**

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
Deposits details are as follows:			
Current and call	<b>1,005,811</b>	1,030,940	969,732
Savings	<b>469,685</b>	453,256	457,911
Time deposits	<b>403,008</b>	311,752	419,780
Others	<b>2,705</b>	4,371	4,916
	<b>1,881,209</b>	1,800,319	1,852,339

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

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
0-6 months	<b>733,560</b>	700,636	727,392
6-12 months	<b>265,408</b>	267,525	259,458
1-3 years	<b>142,831</b>	125,379	142,332
3-5 years	<b>327,531</b>	304,896	321,083
Over 5 years	<b>411,879</b>	401,883	402,074
	<b>1,881,209</b>	1,800,319	1,852,339

The interest rate bands of deposits are as follows:

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
0-2%	<b>1,693,092</b>	1,605,421	1,660,260
2-4%	<b>188,106</b>	191,893	188,830
4-6%	<b>11</b>	7	7
6-8%	-	68	360
8-10%	-	2,930	2,882
	<b>1,881,209</b>	1,800,319	1,852,339

Notes to the interim condensed financial statements (unaudited)

**18 Other liabilities**

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
Derivatives – negative mark to market	<b>470</b>	1,331	1,009
Deferred tax liability	<b>744</b>	1,358	1,128
Retirement benefit liability	<b>398</b>	635	446
Acceptances	<b>29,472</b>	38,151	30,550
Tax liability	<b>2,980</b>	2,033	2,368
Accruals and deferred income	<b>4,336</b>	4,646	5,617
Obligation under finance lease	<b>938</b>	1,130	1,153
Others	<b>12,472</b>	11,019	9,210
	<b>51,810</b>	60,303	51,481

**19 Contingent liabilities, commitments and derivatives**

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
Forward forex contracts – sales	<b>183,154</b>	162,081	154,021
Forward forex contracts – purchases	<b>183,154</b>	163,833	155,670
Currency swaps	-	55,818	-
Interest rate swaps	<b>89,738</b>	93,697	91,836
Undrawn unconditionally cancellable commitments	<b>546,581</b>	538,096	566,465
Undrawn unconditionally non-cancellable commitments	<b>175,497</b>	102,229	179,469
	<b>1,178,124</b>	1,115,754	1,147,461

As at 30 September 2015, 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 they do not consider it necessary to make any additional provisions in this regard.

Notes to the interim condensed financial statements (unaudited)

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

	Valuation techniques			Total RO'000
	Quoted market price Level 1 RO'000	Using observable inputs Level 2 RO'000		
<b>At 30 September 2015</b>				
<b>Assets</b>				
Derivatives	-	4,582		4,582
Financial investments: available-for-sale	93,913	326,212		420,125
<b>Liabilities</b>				
Derivatives	-	470		470
 At 30 September 2014				
<b>Assets</b>				
Derivatives	-	1,694		1,694
Financial investments: available-for-sale	85,700	474,907		560,607
<b>Liabilities</b>				
Derivatives	-	1,331		1,331

**Investments carried at cost and derivatives**

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

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

Foreign exchange contracts are valued based on market prices. The market value adjustment of foreign exchange contracts are included in the book value of other assets.

There has been no change to the basis of valuation of level 2 financial assets and liabilities disclosed in the latest audited financial statements of the Bank.

Notes to the interim condensed financial statements (unaudited)

**21 Asset liability mismatch**

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

Maturities	30 September 2015			30 September 2014			31 December 2014		
	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	1,153,239	835,202	318,037	1,274,190	817,282	456,908	1,293,262	807,501	485,761
6-12 months	150,201	274,475	124,274	71,112	278,161	(207,049)	32,721	273,076	(240,355)
1-3 years	102,871	142,831	(39,960)	104,332	125,400	(21,068)	116,597	142,352	(25,755)
3-5 years	268,720	327,531	(58,811)	219,925	304,896	(84,971)	232,191	321,083	(88,892)
more than 5 years	614,908	709,900	94,992	556,376	700,196	(143,820)	568,141	698,900	(130,759)
	<b>2,289,939</b>	<b>2,289,939</b>	<b>-</b>	<b>2,225,935</b>	<b>2,225,935</b>	<b>-</b>	<b>2,242,912</b>	<b>2,242,912</b>	<b>-</b>

**22 Exposure to credit risk**

	Loans and advances (As per CBO)			Due from banks			Financial investments		
	30 September 2015	30 September 2014	31 December 2014	30 September 2015	30 September 2014	31 December 2014	30 September 2015	30 September 2014	31 December 2014
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Individually impaired – non performing	78,990	100,905	92,573	-	-	-	-	-	-
Provision for loan impairment specific and reserved interest	(72,032)	(92,434)	(83,966)	-	-	-	-	-	-
Carrying amount of non-performing	6,958	8,471	8,607	-	-	-	-	-	-
Past due and not impaired	15,451	15,351	11,105	-	-	-	-	-	-
Neither past due nor impaired	1,283,833	1,130,324	1,157,481	186,368	266,529	155,902	421,202	561,684	666,151
General provision	(17,423)	(15,691)	(15,880)	-	-	-	-	-	-
Total carrying amount	<b>1,288,819</b>	<b>1,138,455</b>	<b>1,161,313</b>	<b>186,368</b>	<b>266,529</b>	<b>155,902</b>	<b>421,202</b>	<b>561,684</b>	<b>666,151</b>

**23 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 2014 – 2,000,312,790 shares of RO 0.100 each). The authorised share capital of the Bank is 7,500 million shares of RO 0.100 each (30 September 2014 – 7,500 million of 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:

	<b>30 September 2015 Number of shares</b>	30 September 2014 Number of shares	31 December 2014 Number of shares
HSBC Bank Middle East Limited	<b>1,020,159,523</b>	1,020,159,523	1,020,159,523

**24 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 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. During the period the closing balance of statutory reserves has been transferred to retained earnings due to sale of India operations.

**(c) Available-for-sale fair value reserve**

Available-for-sale fair value reserve represents fair value changes (net of tax) in available-for-sale financial assets.

**(d) Foreign exchange reserve**

Foreign exchange reserve represents exchange differences arising from the retranslation of opening foreign currency net investments, and exchange differences arising from retranslation of the result for the reporting period from the average rate to the exchange rate prevailing at the period end, recognised in other comprehensive income. Exchange differences on a monetary item that is part of a net investment in a foreign operation are recognised in other comprehensive income. On disposal of a foreign operation, exchange differences relating thereto and previously recognised in other comprehensive income are reclassified to the statement of profit or loss as a reclassification adjustment when the gain or loss on disposal is recognised.

**25 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 include 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.



Notes to the interim condensed financial statements (unaudited)

**25 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:

<b>30 September 2015</b>	<b>Significant shareholder - HSBC and related group entities</b>	<b>Directors</b>	<b>Key management personnel</b>	<b>Others</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Loans and advances	-	-	-	41,077	41,077
Current, deposit and other accounts	-	34	-	18,540	18,574
Letters of credit and guarantees	-	-	-	9,867	9,867
Due from banks	45,616	-	-	-	45,616
Due to banks	13,535	-	-	-	13,535
<b>For the period ended 30 September 2015</b>					
Net fee (expenses)	(7)	-	-	-	(7)
Other operating expenses	(9,159)	(12)	(1,502)	(149)	(10,822)
Other income	-	9	-	-	9
Purchase of property and equipment	-	-	-	(2)	(2)

<b>30 September 2014</b>	<b>Significant shareholder - HSBC and related group entities</b>	<b>Directors</b>	<b>Key management personnel</b>	<b>Others</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
Loans and advances	-	-	-	20,831	20,831
Current, deposit and other accounts	-	15	-	21,976	21,991
Letters of credit and guarantees	-	-	-	9,362	9,362
Due from banks	56,695	-	-	-	56,695
Due to banks	22,145	-	-	-	22,145
<b>For the period ended 30 September 2014</b>					
Net fee income	99	-	-	-	99
Other operating expenses	(8,294)	(14)	(1,626)	(218)	(10,152)
Purchase of property and equipment	-	-	-	-	-

Related party loans and advances bear interest at rates between 1.3% p.a. and 6.0 p.a. (30 September 2014: between 1.5% p.a. and 6.5% p.a.). Related party deposits bear interest at rates between 0.25% p.a. and 1.25% p.a. (30 September 2014: between 0.25% p.a. and 1.25% p.a.).

Notes to the interim condensed financial statements (unaudited)

**26 Operating segments**

The factors used to identify the Bank's reporting segment are discussed in the financial statements for the year ended 31 December 2014.

**Business line segment**

Information regarding products and services is discussed in note 4 to these unaudited condensed interim financial statements. The results of each reportable segment have been presented below;

	30 September 2015				Total RO'000
	CMB RO'000	RBWM RO'000	GB&M RO'000	Other RO'000	
Net interest income	11,979	23,047	1,623	-	36,649
Net fee income	5,204	3,488	1,013	-	9,705
Net exchange income	1,798	1,009	2,684	-	5,491
Other operating income	774	931	58	202	1,965
Total	19,755	28,475	5,378	202	53,810
Profit / (loss) for the year before income tax	6,740	(847)	4,038	(268)	9,663
Reportable segment assets	867,338	461,756	844,090	116,755	2,289,939
Reportable segment liabilities	1,186,025	741,510	25,035	30,779	1,983,349

	30 September 2014				Total RO'000
	CMB RO'000	RBWM RO'000	GB&M RO'000	Other RO'000	
Net interest income	11,917	22,556	2,066	5	36,544
Net fee income	4,951	3,325	1,248	-	9,524
Net exchange income	1,654	965	2,813	44	5,476
Other operating income	383	450	27	558	1,418
Total	18,905	27,296	6,154	607	52,962
Profit / (loss) for the year before income tax	5,191	(220)	4,915	(241)	9,645
Reportable segment assets	748,873	442,251	920,062	114,749	2,225,935
Reportable segment liabilities	1,121,742	729,867	35,937	29,753	1,917,299

HBON had entered into an agreement to sell its banking business in Pakistan to Meezan Bank Limited. The transaction is subject to shareholders' and regulatory approvals. The sale will be at a small discount to the Net Asset Value of the business.

Notes to the interim condensed financial statements (unaudited)

**27 Capital adequacy ratio**

Capital management is guided by the CBO through circular BM 1009 (Guidelines on BASEL II) and regulatory capital under BASEL III framework. Capital adequacy is calculated on quarterly intervals and reported to the CBO. The banks are required to maintain minimum capital adequacy ratio of 12.625% including capital conservation buffer for 2015 (30 September 2014 and 31 December 2014: 12.625%) in accordance with CBO stipulated guidelines.

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
CET 1/Tier 1 capital	<b>281,340</b>	276,716	281,124
Tier 2 capital (T2)	<b>17,862</b>	16,572	17,865
<b>Total regulatory capital</b>	<b>299,202</b>	293,288	298,989
Risk-weighted assets	<b>1,651,995</b>	1,635,174	1,639,028
CET 1 / Tier 1 capital ratio	<b>17.03%</b>	16.92%	17.15%
Total capital ratio	<b>18.11%</b>	17.94%	18.24%

**28 Cash and cash equivalents**

	<b>30 September 2015 RO'000</b>	30 September 2014 RO'000	31 December 2014 RO'000
<i>Unaudited interim condensed statement of financial position comprises:</i>			
Cash and balances with central banks	<b>318,037</b>	153,892	180,007
Due from banks	<b>186,368</b>	266,529	155,902
Due to banks	<b>(50,330)</b>	(56,677)	(29,215)
	<b>454,075</b>	363,744	306,694
Adjustment for items maturing after three months from date of acquisition and restricted balances	<b>(20,126)</b>	(15,886)	(15,886)
	<b>433,949</b>	347,858	290,808
<i>Cash and cash equivalent comprise:</i>			
Cash and balances with central banks	<b>302,151</b>	138,006	164,121
Due from banks	<b>182,128</b>	266,529	155,902
Due to banks	<b>(50,330)</b>	(56,677)	(29,215)
Total	<b>433,949</b>	347,858	290,808

Notes to the interim condensed financial statements (unaudited)

**29 Liquidity coverage ratio (LCR)**

Liquidity coverage ratio (LCR) is guided by the CBO through circular BM 1127 (BASEL III : Framework on Liquidity coverage ratio and LCR disclosure standards). Liquidity coverage ratio is calculated on monthly intervals and reported to the CBO. The Banks are required to maintain minimum liquidity coverage ratio of 60% for 2015 in accordance with CBO stipulated guidelines.

**Liquidity coverage ratio disclosure for the period ended 30 September 2015:**

	<b>Total Unweighted Value (average*) RO'000</b>	<b>Total Weighted Value (average*) RO'000</b>
<b>High quality liquid assets</b>		
1 Total High quality liquid assets (HQLA)	-	582,641
<b>Cash outflows</b>		
2 Retail deposits and deposits from small business customers, of which:	<b>422,918</b>	<b>35,684</b>
3 - Stable deposits	<b>132,162</b>	<b>6,608</b>
4 - Less stable deposits	<b>290,756</b>	<b>29,076</b>
5 Unsecured wholesale funding, of which:	<b>1,192,187</b>	<b>504,208</b>
6 - Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7 - Non-operational deposits (all counterparties)	<b>1,192,187</b>	<b>504,208</b>
8 - Unsecured debt	-	-
9 Secured wholesale funding	-	-
10 Additional requirements, of which	<b>199,406</b>	<b>19,701</b>
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	<b>199,406</b>	<b>19,701</b>
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	<b>1,005,685</b>	<b>50,284</b>
<b>16 Total cash outflows (2+5+10+15)</b>	<b>-</b>	<b>609,877</b>
<b>Cash inflows</b>		
17 Secured lending (e.g. reverse repos)	-	-
18 Inflows from fully performing exposures	<b>328,608</b>	<b>238,869</b>
19 Other cash inflows	-	-
<b>20 Total cash inflows (17+18+19)</b>	<b>328,608</b>	<b>238,869</b>
<b>21 Total HQLA</b>		<b>582,641</b>
<b>22 Total net cash outflows (16-20)</b>		<b>371,008</b>
<b>23 Liquidity coverage ratio (21/22)</b>		<b>157%</b>

\*simple average of monthly observations over the last three months (July – September 2015)

**30 Corresponding figures**

Certain corresponding figures for 2014 have been reclassified in order to conform to the presentation for the current period. Such reclassifications have not resulted in change in prior period reported profit and equity.