OMAN HOUSING BANK (S.A.O.C)

عاصمة الثقافة الإسلامية

Nizwa, Capital of Islamic Culture

2015

Annual Report 2014

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We Commenced the process of development and evolution comparatively recently . our weapons in fight against backwardness , and the challenges we have encountered, have been the stern and wholehearted determination that our people have displayed through this hard work and support to the leadership by all our people the successful development of our country is to be seen everywhere. These achievements justify our faith in a glorious future for our country

18/11/1994

Your Majesty,
The magnificent achievements on this land are eloquent attestations of your triumphant march…

Thank you

OMAN HOUSING BANK (S.A.O.C)

Contents

Report and financial statements
for the year ended 31 December 2014

Vision

Pioneering integrated housing

Mission

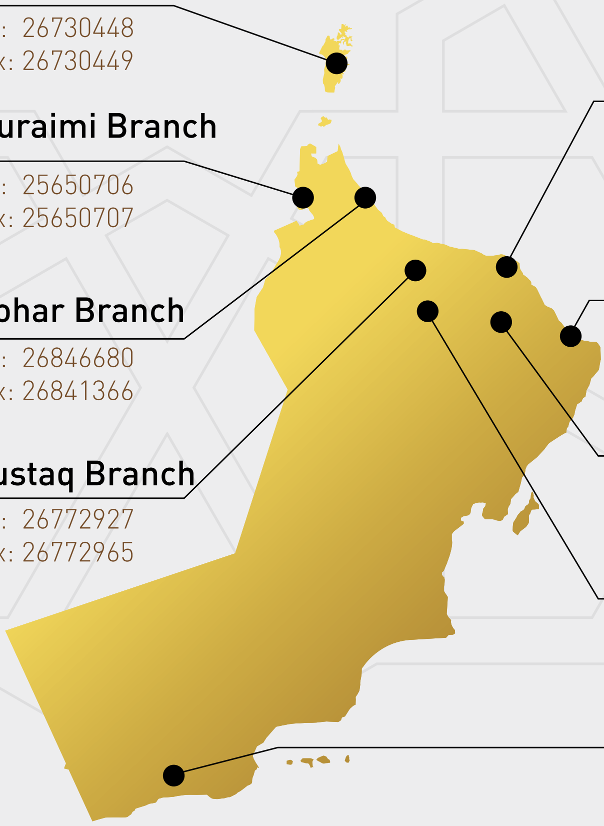
The Bank seeks to be pioneer of housing and construction progresses to contribute in the economic development of the Sultanate of Oman, distinguishing by the services provided to its customers, specially to the low and medium income Omani citizens, achieving the objectives of the shareholders, and interesting in the development of human capital through an efficient banking, attractive and motivated work environment.

Shareholders

Paid par Value R.O	
18,300,000	Government of sultanate of Oman (61 %)
1,950,000	Public Authority for Social Insurance(6.5 %)
1,950,000	Civil Services Employees Pension Fund (6.5 %)
1,950,000	Royal Oman Police Pension Fund (6.5 %)
1,950,000	Ministry of Defence Pension Fund (6.5 %)
1,950,000	Royal Guard of Oman Pension Fund (6.5 %)
1,950,000	Internal Security Services Pension Fund (6.5 %)

Total 30,000,000

Branchs



Khasab Branch
Tel: 26730448
Fax: 26730449

Buraimi Branch
Tel: 25650706
Fax: 25650707

Sohar Branch
Tel: 26846680
Fax: 26841366

Rustaq Branch
Tel: 26772927
Fax: 26772965

Main Branch
Tel: 24704444
24775800
Fax: 24704071

Sur Branch
Tel: 25540242
Fax: 25543324

Ibraa Branch
Tel: 25570630
Fax: 25570830

Nizwa Branch
Tel: 25448775
Fax: 25448778

Salalah Branch
Tel: 23292337
Fax: 23295652

HE
Darwish bin Ismail bin Ali Al Balushi
Board Chairman

Sheikh
Nasser bin Sulaiman bin Hamed Al Harthy
Member of the Board of Directors
Chairman of the Finance Committee
and Risk Management

Colonel
Sulaiman Salim Said Al Tobi
Vice Board Chairman
Head of Auditing & Compliance Committee

Lieutenant Colonel
Ibrahim Said Gharib Al Jabri
Member of the Board of Directors

Mr.
Issa Mubarak Al Jabri
Member of the Board of Directors

Mr.
Rashid bin Mohammed bin Ali Al Maktomi
Member of the Board of Directors

Mr.
Adnan bin Haider bin Darwish
Secretary of the Board of Directors

بسم الله الرحمن الرحيم

"Report of OHB Board for 2013"

Dear Shareholders

Peace, Mercy and Blessings of Allah may be upon You,,,

My warm greeting to all of you and it is my great pleasure to present the annual report on the Bank's results, achievements, and financial statements for the year ended 31st December 2014 to you on my behalf and my fellow board members.

The year 2014 was positive at all levels as the Bank managed to achieve objectives set in its budget for the said year whether in terms of the lending activity or enhancing the financial status of the Bank. Many achievements were made during the said year as indicated herein.

Lending Activity:

During 2014, the Bank managed, thanks to the continued support of the wise government, to continue providing subsidized loans to citizens as follows:

The number of approved loans was (1,887) loans worth **OMR 80 million** until the end of 2014. The Bank also sought to extend its services to various governorates of Oman, particularly to areas outside Muscat Governorate as the number of loans granted to citizens outside Muscat Governorate amounted to (1,406) loans with a total value of **OMR 56.7 million** accounting for (70.9%) of the total lending activity.

The following table shows the loans granted with a subsidized fee distributed among the Bank's branches in various governorates and wilayats of Oman between 2013 and 2014.

Branches	Loans approved with a subsidized fee during 2014				Loans approved with a subsidized fee during 2013			
	Number	Percentage	Amount (OMR)	Percentage of total	Number	Percentage	Amount (OMR)	Percentage of total
Main Branch	481	25.5	23,279,000	29	559	27.4	25,114,800	31.4
Salalah	95	5	5,021,400	6.3	115	5.6	5,576,500	6.9
Sohar	259	13.7	10,126,100	12.7	239	11.7	8,881,900	11.1
Sur	133	7	5,457,400	6.8	159	7.8	5,999,900	7.5
Nizwa	218	11.6	8,694,600	10.9	248	12.1	9,043,000	11.3
Khasb	53	2.8	2,315,800	2.9	31	1.5	1,176,000	1.5
Al Buraimi	97	5.1	3,826,500	4.8	108	5.3	3,970,100	5
Rustaq	401	21.3	15,637,400	19.5	431	21.1	15,108,500	18.9
Ibra	150	8	5,641,800	7.1	154	7.5	5,129,300	6.4
Total	**1,887**	**100%**	**80,000,000**	**100%**	**2,044**	**100%**	**80,000,000**	**100%**

It can be noted that the lending budget and approved loans for 2012 and before were less than those of 2013 and 2014 but this matter changed radically after His Majesty Sultan Qaboos bin Said, the Sultan of Oman, issued his royal orders to approve a new facilitated structure for the fees of banking and administrative services which resulted in a huge turnout for banking lending which led to allocating the same amount of 2014, i.e. **OMR 80 million.**

Since its establishment in 1977 and until the end of 2014, the total number of subsidized loans provided to citizens by the Bank in all its branches across the various governorates and wilayats of Oman amounted to (37,505) loans with a total value of OMR 784.2 million including 16,197 loans for Muscat Governorate with a total value of OMR 329.1 million accounting for (43.2%) of the total number of loans and (42%) of their value. The number of subsidized loans granted to citizens outside Muscat Governorate was (21,308) loans with a total value of OMR 455.1 million accounting for (56.8%) of the total number of loans granted and (58%) of their value as indicated in the following table:

Branches	Subsidized loans approved since the establishment of each branch and until 31st December 2014			
	Number	Percentage	Amount (OMR)	Percentage of total
Main Branch	16,197	43.2	329,082,491	42
Salalah	4,501	12	83,119,551	10.6
Sohar	3,427	9.1	67,593,942	8.6
Sur	2,389	6.3	47,371,596	6
Nizwa	3,663	9.8	82,017,552	10.4
Khasb	666	1.8	13,753,900	1.8
Al Buraimi	1,164	3.1	27,929,755	3.6
Rustaq	3,771	10.1	94,468,300	12
Ibra	1,727	4.6	38,838,600	5
Total	**37,505**	**100%**	**784,175,687**	**100%**

Given the huge turnout on subsidized borrowing after approving the new structure of banking and administrative fees, the Bank decided to allocate all its available sources for lending so as to make them limited to subsidized loans only.

***Financial Results:**
As regards the Bank's financial results and by reviewing the balance sheet of the fiscal year ended on 31st December 2014, it is clear that the Bank achieved positive results with good growth rates in most of the financial indicators as the Bank's total assets by the end of 2014 rose to OMR 347.5 million compared to OMR 310 million by the end of 2013, i.e. with an increase percentage amounting to (12.1%).

Growth of assets was mainly based on the rise of the housing loans portfolio as the total loan portfolio rose to OMR 334.6 million on 31st December 2014 compared to OMR 299.3 million at the end of last year, i.e. with a growth rate of (11.8%). As a result of the growth of the loan portfolio, the total revenues of banking services rose to OMR 24.9 million compared to OMR 22.4 million for the same period of last year.

Therefore, the Bank made net profits amounting to OMR 14.5 million, i.e. with a relative increase of (17.9%) compared to the profits of 2013 amounting to OMR 12.3 million to make the basic earnings per share reach OMR 0.484 compared to OMR 0.409 at the end of 2013. The total equities rose to OMR 150.4 million compared to OMR 138.3 million with an increase percentage of (8.7%). Such increase is attributed to the rise in reserves and retained earnings.

The following table shows the status of the most important financial indicators during the last five years from 2010 to 2014

(Amounts in OMR millions)

Description	2010	2011	2012	2013	2014
Net profits	9	9.5	10.3	12.3	14.5
Total assets	203.4	225	257.5	310	347.5
Total liabilities	93.1	107.6	131.6	171.7	197.1
Total net loans	200.3	215.6	247.8	299.3	334.6
Total customer deposits	14.1	902	26.8	58.4	76.6
Total equities	110.3	117.4	125.9	138.3	150.4

The Bank focuses on developing its assets along with maintaining the quality and durability of assets so as to promote the financial status of the Bank to be able to achieve its objectives effectively. The Board of Directors proposes distribution of net profits for 2014 to shareholders as follows:

Net profits for 2014

(Amounts in OMR thousands)

Total net profits of the year	14.526
Net dividends: Transfer of an amount to legal reserve (with 10% of net profits)	1.453
Distribution of cash profits to shareholders (with 8% of the paid capital)	2.400
Transfer of an amount to special reserve	2.135
Transfer of an amount to retained profits	8.538
Total net profits of the year	14.526

During its 4th meeting in 2012, the Board of Directors decided to submit a recommendation to the Extraordinary General Meeting to raise the Bank's capital with an amount of OMR 70 million to make the total capital OMR 100 million after obtaining the approval of shareholders to this increase as it will be paid by all shareholders according to their current capital contribution in order to support the Bank's financial conditions, enable it to meet its obligations, and implement the ambitious lending plan of 2013 under which a lending budget of OMR 80 million is allocated as all shareholders are already notified of the matter of capital increase which is currently in progress.

The Board of Directors is looking forward to making more achievements in various areas of the Bank's operations through the financial and strategic plan for the next ten-year period in line with the government's developmental plans as well as fulfilling the Bank's great mission in providing appropriate residence for the Omani families in need of houses.

As regards qualification and training, the Bank organized (107) courses in various fields during the year inside and outside Oman as the number of participants was (289) participants which will promote the abilities of employees and enable them to perform their assigned duties and responsibilities properly. The percentage of Omanis accounted for (96.5%) of the total number of personnel.

Agreements with the commercial banks:
As the Bank is keen on providing all possible facilities to citizens to have their own houses, it concluded more agreements under easy terms with some commercial banks operating in the Sultanate with the purpose of enabling lending applicants to obtain loans from the commercial banks until their turn to obtain loans from the Bank comes as the Bank will pay the balances of such loans to the commercial banks directly so as to gain time and not to delay their possession of their aspired houses.

Finally, the Bank's Board of Directors would like to express its deepest gratitude to His Majesty Sultan Qaboos bin Said, the Sultan of Oman, for his royal directives and kind care of the Bank as well as to the wise government for its continued support to the Bank to enable it to continue providing its services to citizens with ease.

The Board of Directors would like also to thank the Ministry of Finance, Central Bank of Oman, other ministries, and all public and private institutions and bodies for their sincere cooperation with the Bank so as to fulfill its tasks and duties. We also express our appreciation to the Bank's employees for their dedication and efforts made to serve and develop the Bank.

May Allah grant us success to serve our beloved Oman under the wise leadership of His Majesty Sultan Qaboos bin Said, the Sultan of Oman, praying to Almighty Allah to grant His Majesty good health and long life and the Omani people happiness and prosperity.

Best Regards,

Darwish bin Ismail bin Ali Al-Balushi
Chairman

General Manager's Report

The Bank has continued its relentless pursuit of excellence to achieve the growth target, and continued increasingly granting loans with a view to meeting the aspirations of citizens and reaching the sublime objectives for which the Bank was established, most notably of which is to provide soft loans for citizens, as well as to enhance the financial position. During the last period, the Bank has recorded numerous developments and accomplishments, which were inspired by the visionary leadership of His Majesty Sultan Qaboos Bin Said, and his constant keenness to alleviate the burdens on citizens and ensure a dignified lifestyle for them.

In 2014, the Bank has achieved positive results across all levels, as the approved loans in 2014 amounted to RO 80 Million, and the loan portfolio has increased to RO 334.6 Million, as of 31/12/2014, with an increase of 11.8% compared to the same period last year. The Bank has received 2609 loan applications in 2014 totaling RO 125 Million. The Bank has, accordingly, achieved a consistent growth in the volume of operations through focusing on the core activity. In parallel with such growth, the Bank managed to control the bad loans portfolio, and managed to keep the same at its lowest level at present due to the efforts excreted in this regard, along with upgrading the banking services offered and their positive impact on business management to achieve the results and provide excellent level of services.

In terms of financial solvency, the capital adequacy was strengthened over and above the regulatory requirements, reaching 76.62%, whereas the same is set at 12% and 8% by the Central Bank of Oman and Basel Committee, respectively.

Based on these results, we promise to continue our efforts, in line with the financial plan, to develop the Bank's business and activities in accordance with the set objectives, and to strive to provide the proper and healthy housing for all citizens throughout the Sultanate.

The Bank continued to apply the corporate governance principles in full transparency, in line with the global best practices; whereas the Board and its Committees, along with the Executive Management assume their roles and responsibilities in accordance with such principles.

The Bank continued to comply with the risk determination, measurement, mitigation and control methodologies; in addition to determining the acceptable risk level, along with updating the risk management policies and procedures to keep pace with the latest developments and to improve the effectiveness of risk management.

Finally, I would like to extend our deep appreciation and gratitude to the Government for their support and assistance to enable the Bank fulfill its mission in serving the nation. I would like also to extend my sincere thanks and appreciation for the continuous support and effective guidance provided by H.E. the Chairman and all the Board Members, and to all the Bank's customers for their continuous support and trust in the Bank, as well as to all the staff members of the Bank for their loyalty and dedication, which had a valuable impact on achieving the goals and objectives of the Bank.

Thank you

Adnan bin Haider Darwish
General Manager
Secretary to the Board

DISCLOSURES UNDER BASEL II -PILLAR 3 2014

1. **Risk Management**

   The Board of Directors has a very important role to play in the overall supervision of risk management operations, in order to ensure proper application of the same, and that the Bank is operating within the prescribed limits.

   The Board approves all the risk management policies and sets the acceptable risk levels, in addition to the approval of the capital adequacy evaluation process.

   The Board has formed a Committee (Finance and Risk Management) to assist the Board in proposing and developing risk management policies; to suggest the acceptable risk levels'; to develop the proper methods to identify, measure and control risks; and to monitor the compliance of the Bank's units with the risk measures and limits, as well as to review the efficiency and efficacy of the Risk Management Department by being under the supervision of the said Committee.

2. **Disclosure Policy**

   The Bank has an official policy in place derived from Basil II (Disclosure Requirements under Pillar 3) as approved by the Board in line with the CBO's requirements.

3. **Scope of Application**

   The Bank operates through a network of branches in the Sultanate of Oman, and the statements submitted later about the capital structure are consolidated of all the branches. The Bank has no subsidiaries and does not constitute part of any group.

4. **Capital Structure**

   The Bank's regulatory capital is divided into three tiers:

   - **Tier 1**: Core capital, including:

   The paid-up capital, legal reserve, special reserve and retained earnings.

There are no innovative capital instruments. The authorized and paid up capital comprises 30 million shares of OMR 1 each. The Bank allocates (10%) of its annual profits to the legal reserve, and such allocation shall continue until such reserve becomes equal to one third of the capital. Such reserve may not be distributed, and the General Meeting may decide to formulate optional reserves up to 20% of the net profits of a given year after the deduction of the legal reserve. The formulation of retained earnings is aimed at improving the Bank's financial position and to meet any unforeseen contingencies.

- **Tier 2**: Additional Capital, which is comprised of:

General loan loss provision (not exceeding 1.25% of the risk weighted assets).

- **Tier 3**: Short-term subordinated loan to meet market risk:

The Bank has no Tier 3 capital.
Following are the capital structure components as of the disclosure date:

Regulatory Capital Structure as of 31/12/2014	RO '000
Tier 1- core capital:	
paid-up capital	30.000
Legal reserve	17.498
Special reserve	51.119
Retained earnings	48.207
Total Tier 1	146.824
Tier 2 – Additional capital:	
General loan loss provision	2435
Total tier 2	2435
Total eligible capital	149.259

5. Capital Adequacy

The Bank's capital adequacy is calculated according to Basel II guidelines and

CBO's directives, by using standardized approach for calculating credit and market risks, if any, along with applying the simple approach for recognizing the collaterals. The Basic Indicator Approach is applied for calculating operational risk.

The Bank uses the ratings by Moody's to calculate the risk of claims from banks and other financial institutions.

The Bank has a policy to maintain robust and adequate capital base commensurate with the nature of the Bank's activity of providing long-term lending in order to meet any loss risks or unforeseen difficulties. In spite of the strong capital base, which enables the Bank to cope with any conditions or fluctuations, nevertheless, the Board has decided, to ensure more precaution and prudence to meet any developments, to increase the capital adequacy by

(2%) above the regulatory level prescribed by CBO of (12%), so that the Bank's official adequacy rate will become (14%). The actual adequacy rate at the end of the year was 76.62% as evident from the following statements.

The quantitative calculation of the Bank's capital adequacy is as follows:

Details Amounts in RO '000	Total Balances (Nominal Value)	Net Balances (Nominal Value)*	Risk Weighted Assets
Items recognized in the balance sheet		354.310	146.672
Items recognized off balance sheet		30.139	11.370
Capital-Tier 1		146.824	146.824
Capital-Tier 2		2.435	2.435
Capital-Tier 3		-	-
Total eligible capital		149.259	149.259
Capital requirement for credit risk			18.965
Capital requirement for market risk			-
Capital requirement for operational risk			4.413
Total capital risk			23.378
Capital adequacy ratio- Tier 1			75.365%
Capital adequacy ratio- total			76.62%

* net of provisions, reserved interests and eligible collaterals.

6. Risks & Reserves (Hedging)

6-1 Credit Risk

Credit risks result from all the products and services if a counterparty fails to meet its payment obligations according to the contractual terms and conditions. Despite that the credit offered by the bank is comprised of

housing loans available to citizens, secured by property and geographically confined to the Sultanate of Oman, but risks, however, may sometimes arise when such collaterals don't fully covering the entire obligations payable by the customer. Credits are approved by the Executive Management within specific limits, and according to prudent criteria and practices as authorized by the Board, in order to minimize any potential losses, and keep the credit risk exposure within low levels and acceptable limits.
The Bank follows the standardized approach for calculating the risk weighted assets at a rate (35%) for housing loans subsidized by the Government of the Sultanate of Oman, and the rate of (100%) of the other loans, The Bank also identifies the amount of potential credit losses by following the set credit rating pursuant to CBO's Circular (BM 977) dated 25 Sep. 2004, after taking into account the market value of the real estate collaterals by 50%.

Whereas the credit offered by the Bank is limited to one type and confined within one geographical area, the quantitative disclosure is limited to:

Credit Type	Average of Current Period	Status as of 31/12/2014
Personal loans to staff	-	-
Housing loans to citizens subsidized by the government	8.993	303.342
Other housing loans for citizens (Unsubsidized)	-842	31.253
Total	8151	334.595

Movement of Gross Financing

							RO '000
Sr.	Details	Performing loans		Non-performing loans			
		Standard	Specially Mentioned	Sub-Standard	Doubtful	Loss	Total
1	Opening balance	330.233	261	1.226	787	1.832	334.339
2	Migration /changes	728	18	-757	81	-70	0
3	New loans	13.432	4	1	1	10	13.448
4	Recovery of loans	-5.279	-2	-6	-31	-16	-5334
5	Loans written off	0	0	0	0	-14	-14
6	closing balance	339.114	281	464	838	1.742	342.439
7	Provisions held	6.782	6	115	219	481	7.603
8	Retained earnings	0	0	4	16	221	241

6-2 Market Risk

Market risk is the risk of changes in the value of financial instruments or transactions due to changes in the market variables.

The items on the balance sheet of the Bank do not currently include any assets or a liabilities exposed to changes in foreign exchange rate, as all transactions are made either Omani Rials or US Dollar, which is pegged to OMR. As for interest rate risk, they may arise directly in the event of increase in the interest rate on short-term deposits or mid-term loans, while the interest rates are fixed for customer borrowings. The Bank is trying to follow long-term loan policy to avoid such risks, or Government loans at a fixed interest rate. The Bank's final account include distribution of assets and liabilities over predetermined timescales to indicate the sensitivity gap towards interest rates.

6-3 Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its obligations as they fall due. Liquidity risk arises due to desynchronized cash inflows and outflows. The Bank follows a prudent liquidity management policy by maintaining certain arrangements to provide available cash to meet its short term obligations.

The Bank's approach to managing liquidity is to reduce, as far as possible, the gap between the assets and liabilities, as well as by mid and long term borrowings, when necessary, to ensure that sufficient liquid funds are available to meet any commitments as they arise. The final accounts of the Bank include an analysis of the assets and liabilities over a number of predetermined timescales to indicate liquidity gap.

6-4 Operational Risk

Operational risk refers to the loss resulting from inadequate or failed internal processes, people and systems or from external events, etc. that may arise due to legal or regulatory requirements.

The Bank follows the Basic Indicator Approach for the measurement of such risk, which stipulates that 15% shall be deducted from the average income for the last three-year period to determine the Operational risk capital.

Business Continuity Planning

Business Continuity Management refers to the implementation and management of preventive measures, planning and preparation to ensure resumption of the Bank's business after an emergency or shutdown. The Bank will ensure that all systems and processes can be resumed during situations of business interruption. To this end, the Bank has a contingency plan in place to ensure effective business continuity under unforeseen disasters, in accordance with CBO's instructions in this regard. The Bank carries out constant revision of the current plans by applying an active action plan to ensure processes and systems continuity along with flexibility and readiness to address any emergency requirements.

The business Continuity Management Committee is responsible for drafting, adopting, modifying, testing and maintaining the activity continuity plans of the Bank. The Committee shall review and agree on strategic input as regards the evaluation and planning of business continuity to ensure proper management of business continuity and that planning and maintenance responsibility is recognized across all business processes. In order to enhance the business continuity plan framework, the Bank has:

* Formed the business continuity management committee and determined the terms of reference thereof.
* Scheduled Evacuation and first aid drills in case of fire at the Head Office in cooperation with ROP.
* Conducted annual tests to restore the banking system of the Bank.

OMAN HOUSING BANK (S.A.O.C)

Report and financial statements

for the year ended 31 December 2014

Contents

Independent auditor's report to the shareholders of Oman Housing Bank SAOC

Report on the financial statements

We have audited the accompanying financial statements of **Oman Housing Bank SAOC** ("the Bank"), which comprise of the statement of financial position as at 31 December 2014, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 38.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Independent auditor's report to the shareholders of Oman Housing Bank SAOC (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Oman Housing Bank SAOC** as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
27 January 2015

OMAN HOUSING BANK SAOC

Statement of financial position
at 31 December 2014

	Note	2014 RO'000	2013 RO'000
ASSETS			
Cash and cash equivalents		8,268	5,282
Term deposits	5	-	1,000
Mortgage loan accounts	6	334,595	299,300
Property and equipment	7	2,505	2,386
Other assets	8	2,155	2,032
Total assets		347,523	310,000
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	9	76,561	58,416
Loans from the Government	10	103,830	103,830
Loan from Arab Fund For Economic& Social Development	11	6,639	-
Other liabilities	12	10,112	9,499
Total liabilities		197,142	171,745
EQUITY			
Share capital	13	30,000	30,000
Legal reserve	14	17,498	16,045
Special reserve	15	51,119	48,984
Revaluation reserve	7, 16	1,157	1,157
Retained earnings		50,607	42,069
Total equity		150,381	138,255
Total liabilities and equity		347,523	310,000
Mortgage loan commitments	23	30,139	31,403

H.E. Darwish Bin Ismail Ali Al Balushi
Chairman

Adnan Bin Haider Bin Darwish
General Manager

The accompanying notes form an integral part of these financial statements.

OMAN HOUSING BANK SAOC

Statement of comprehensive income for the year ended 31 December 2014

	Note	2014 RO'000	2013 RO'000
Interest income	18	24,911	22,357
Interest expense	19	(4,488)	(3,866)
Net interest income		20,423	18,490
Other income	20	1,199	1,032
Reversal of provision for impairment of loans - specific	6	520	593
Total other operating income		1,719	1,625
General and administrative expenses	21	(6,355)	(6,165)
Depreciation of property and equipment	7	(149)	(135)
Operating expenses		(6,504)	(6,300)
Net operating profit before provisions and write offs		15,638	13,816
Provision for impairment of loans - specific	6	(381)	(488)
Provision for impairment of loans - general	6	(729)	(1,049)
Bad debt written off		(2)	-
Profit for the year		14,526	12,279
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net revaluation surplus during the year		-	68
Total comprehensive income for the year		14,526	12,347
Earnings per share (basic and diluted)	22	0.484	0.409

The accompanying notes form an integral part of these financial statements.

OMAN HOUSING BANK SAOC

Statement of changes in equity
for the year ended 31 December 2014

	Share capital RO'000	Legal reserve RO'000	Special reserve RO'000	Revaluation reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2014	**30,000**	**16,045**	**48,984**	**1,157**	**42,069**	**138,255**
Comprehensive income:						
Profit for the year	-	-	-	-	14,526	14,526
Total other comprehensive income for the year	-	-	-	-	14,526	14,526
Transactions with owners:						
Dividend paid for 2013	-	-	-	-	(2,400)	(2,400)
Transfer to legal reserve	-	1,453	-	-	(1,453)	-
Transfer to special reserve	-	-	2,135	-	(2,135)	-
Total transactions with owners	-	1,453	2,135	-	(5,988)	(2,400)
At 31 December 2014	**30,000**	**17,498**	**51,119**	**1,157**	**50,607**	**150,381**

The accompanying notes form an integral part of these financial statements.

OMAN HOUSING BANK SAOC

Statement of changes in equity
for the year ended 31 December 2014 (continued)

	Share capital RO'000	Legal reserve RO'000	Special reserve RO'000	Revaluation reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2013	30,000	14,817	47,254	1,089	32,748	125,908
Comprehensive income:						
Profit for the year	-	-	-	-	12,279	12,279
Other comprehensive income:						
Revaluation surplus during the year (note 15)	-	-	-	68	-	68
Total other comprehensive income for the year	-	-	-	68	12,279	12,347
Transactions with owners:						
Dividend paid for 2012	-	-	-	-	-	-
Transfer to legal reserve	-	1,228	-	-	(1,228)	-
Transfer to special reserve	-	-	1,730	-	(1,730)	-
Total transactions with owners	-	1,228	1,730	-	(2,958)	-
At 31 December 2013	30,000	16,045	48,984	1,157	42,069	138,255

The accompanying notes form an integral part of these financial statements.

OMAN HOUSING BANK SAOC

Statement of cash flows
for the year ended 31 December 2014

	2014 RO'000	2013 RO'000
Operating activities		
Profit for the year	**14,526**	12,279
Adjustments:		
Depreciation of property and equipment	**149**	135
Net profit on disposal / write off of property and equipment	**-**	(9)
Reversal of provision for impairment of loans - specific	**(520)**	(593)
Provision for impairment of loans – specific	**381**	488
Provision for impairment of loans – general	**729**	1,049
Bad debt written off	**(2)**	_
Operating profit before changes in operating assets and liabilities	**15,263**	13,349
Changes in operating assets and liabilities:		
Term deposits	**1,000**	-
Mortgage loan accounts	**(35,883)**	(52,409)
Other assets	**(123)**	(317)
Customers' deposits	**18,145**	31,644
Other liabilities	**613**	1,470
Net cash used in operating activities	**(985)**	(6,263)
Investing activities		
Proceed form sale of property and equipment	**-**	10
Purchase of property and equipment	**(268)**	(318)
Net cash used in investing activities	**(268)**	(308)
Financing activities		
Loan from the Government	**-**	7,000
Loan from the Arab Fund for Economic& Social Development	**6,639**	-
Dividend paid	**(2,400)**	-
Net cash from financing activities	**4,239**	7,000
Net change in cash and cash equivalents	**2,986**	429
Cash and cash equivalents at the beginning of the year	**5,282**	4,853
Cash and cash equivalents at the end of the year (note 24)	**8,268**	5,282

The accompanying notes form an integral part of these financial statements.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014

1. Legal status and principal activities

Oman Housing Bank SAOC (the Bank) was established as a closely held joint stock company in the Sultanate of Oman under the Royal Decree 51/77 and the term of the Bank has been extended under Royal Decree 36/2010 for twenty years commencing from August 2007. The registered address of the Bank is P O Box 2555, Ruwi, Postal code 112. The principal activity of the Bank is to provide housing loans to Omani Nationals through a network of branches in the Sultanate of Oman.

As per the Articles of Association of the Bank, every year, a minimum dividend of 5% (2013: 5%) of the paid-up share capital should be paid to the shareholders

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

For the year ended 31 December 2014, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the period beginning on 1 January 2014.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.
Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	The amendment to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal.
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.
IFRIC 21: Levies	IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies neither economic compulsion nor the going concern basis financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New IFRS and relevant amendments	Effective for annual periods beginning on or after
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2017
Amendment to IFRS 11: Accounting for Acquisition of Interest in Joint Operations	1 January 2016
Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendment to IAS 16 and IAS 41: Agriculture – Bearer Plants.	1 January 2016
Amendment to IAS 19: Employee Benefit Plans – Employee Contributions	1 July 2014
Annual Improvements to IFRSs 2010 - 2012	1 July 2014
Annual Improvements to IFRSs 2011 - 2013	1 July 2014

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank's in the period of initial application. The adoption of these standards and interpretations has not resulted in changes to the Bank's accounting policies and has not affected the amounts reported for the current or prior periods except for IFRS 9: Financial Instruments. IFRS 9 introduces new requirements for the classification and measurement of financial instruments. The management is currently assessing this standard which may have an impact on the financial statements of the Bank as described above.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are as follows:

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Commercial Companies Law of 1974, as amended, on the historical cost basis except for the revaluation of lands which are measured at fair value.

These policies have been consistently applied in dealing with items that are considered material in relation to the bank's financial statements for all the years presented.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Revenue recognition

Recognition of banking and administrative service fees
Banking and administrative service fees accrues on a time proportion basis taking into account the fees related to the loan and rate applicable. If the recovery of banking and administrative service fees on mortgage accounts is classified, its recognition in the statement of comprehensive income is deferred until it is received in cash.

Recognition of interest income and expense
Interest income and expense are recognised in the statement of comprehensive income on accrual basis using the effective yield method on the principal outstanding.

Recognition of commission and fees
Commission and fees are recognised in the statement of comprehensive income at the time of effecting the transaction to which they relate.

Recognition of Government contribution
The proportion of banking and administrative services fees borne by the Government of the Sultanate of Oman is recognised on a daily basis and claimed at monthly intervals until the maximum ceiling is reached.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Mortgage loan accounts

Mortgage accounts originated by providing money directly to the borrower are categorised as originated loans and are stated at cost less any amounts written off, provision for impairment of loans and unrecognised banking and administrative service fees.

Provisions for impairment of loans comprise both specific provisions as well as provision for potential losses not specifically identified but which experience indicates is present in the mortgage accounts portfolio. A loan impairment provision represents the difference between the carrying amount of the loan and the recoverable amount, which is the current value of any expected cash flows, including amounts recoverable from collateral, discounted based on inception interest rates.

Property and equipment

Property and equipment except land are stated at cost less accumulated depreciation less impairment losses, if any. Land is stated at revalued amount. The cost of property and equipment is the purchase cost, together with any incidental expenses of acquisition.

Revaluations of lands are carried out every three years on an open market value for existing use basis, by an internal valuer in the engineering department of the bank. Net surpluses arising on revaluation are credited to a revaluation reserve, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. A decrease as a result of a revaluation is recognised as an expense, except that it is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that asset. On disposal the related revaluation surplus is transferred directly to retained earnings. Transfers from revaluation surplus to retained earnings are not made through the statement of comprehensive income.

Depreciation is calculated so as to write off the cost of property and equipment on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	Years
Buildings	25
Vehicles	5
Furniture and fixtures and office equipment	5 – 10
Other equipments	5

Capital work-in-progress is not depreciated until the asset is put to use, and will be depreciated based on the rates applicable to its particular category upon capitalisation.

Gains and losses on disposal of property and equipment are determined as the difference between the carrying amount of the asset and its selling price and are dealt with in the statement of comprehensive income.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Financial assets and liabilities

Classification
The bank classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The bank's loans and receivables comprise mortgage loans and cash and cash equivalents in the statement of financial position.

Recognition
The bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the bank becomes a party to the contractual provisions of the instrument.

Derecognition

The bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the bank is recognised as a separate asset or liability.

The bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the bank intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Derecognition (continued)

Fair value measurement
A number of the bank's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods.

Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Impairment of financial assets

The bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the bank about the loss events as well as considering the guidelines issued by the Central Bank of Oman.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, the impairment loss is recognised in the statement of comprehensive income.

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the bank and historical loss experience for assets with credit risk characteristics similar to those in the bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowings

Government loans are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost with any difference between proceeds, net of transaction costs, and the redemption value recognised in the statement of comprehensive income over the years of the borrowings on an effective interest basis.

Dividend distribution

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are paid.

Directors' remuneration

Directors' remuneration is calculated in accordance with the requirements of the Commercial Companies Law of 1974, as amended.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

End of service benefits

End of service benefits are accrued in accordance with the terms of employment of the bank's employees having regard to the requirements of the Omani Labour Law. For Omani employees the contributions are transferred to the Public Authority for Social Insurance in accordance with the terms of the Royal Decree 61/2013.

Foreign currencies

Items included in the bank's financial statements are measured using Rial Omani which is the currency of the primary economic environment in which the bank operates, rounded off to the nearest thousand.

Transactions in foreign currencies are translated to Rial Omani at the rate of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. The exchange gains and losses are included in the statement of comprehensive income.

Earnings per share

The bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and all balances with banks maturing within three months from the date of placement.

Operating lease payments

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments made under operating leases are recognised in the statement of comprehensive income under 'general and administrative expenses' on a straight line basis over the term of the lease.

Grants related to assets

Government grants in form freehold land are credited to deferred grants related to assets and is recognized in the income statement over the useful life of property constructed on that land. Grants are credited to income statement where no rational basis exists for allocating the grant to a period other than the one in which it was received.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

4 Critical accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

The estimates and associated assumptions are based on historical experience and various other factors that are believed by the bank to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

Impairment losses on mortgage loans

The bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

In addition to specific allowances against individually significant loans and advances, the bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a higher probable risk of default than when originally granted. This takes into consideration factors such as any deterioration in collateral value or deterioration in cash flows.

Fair value estimation

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Accordingly variances may arise between the historical cost and the fair value.

The Board of Directors considers that, except for the government and housing loans, the fair value of the assets and liabilities of the bank are not materially different from their carrying amounts. The assumptions made to determine the fair value are as follows:

Short-term financial instruments

The carrying amount of cash on hand and at banks, due from other banks and the short-term financial instruments recognised in the statement of financial position under other assets and other liabilities are considered to be a reasonable estimate of the fair values due to their short-term nature.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Critical accounting estimates and judgments (continued)

Mortgage loan accounts

The mortgage loan accounts are expected to run to maturity. It is not practicable to determine the fair value of mortgage accounts as the subsidy received from the Government is capped at an amount that is determined by the Government annually. Consequently it is not feasible to assess the total return from these accounts for future periods.

Customer deposits

The fair values of savings accounts with no stated maturity approximate its carrying value. The fair value of term deposits is estimated using the rates offered for deposits having similar terms and conditions.

Term loans from banks

The fair values of term loans are estimated using the interest rates offered for loans with similar terms and conditions.

Loans from the Government

The fair values of loans 1, 2, 3 and 4 (note 10) from the Government are estimated using the interest rates offered for loans with similar terms and conditions. No fair value can be determined for the subordinated loan in the absence of a repayment schedule.

5 Term deposits

	2014	2013
	RO'000	RO'000
Term deposits	-	1,000

This represents deposit with National Bank of Oman SAOG matured on 29 April 2014 and carried interest at the rate of 2.5% per annum.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

6 Mortgage loan accounts

	2014 RO'000	2013 RO'000
Gross mortgage loan accounts as at 1 January	**306,566**	254,156
Loans distributed during the year	**58,367**	77,739
Repayments during the year	**(22,494)**	(25,329)
Gross mortgage loan accounts as at 31 December	**342,439**	306,566
Provision for impairment of loans (refer 'a' below)	**(7,603)**	(7,015)
Reserved banking and administrative service fees (refer 'b' below)	**(241)**	(251)
Net mortgage loan accounts as at 31 December	**334,595**	299,300

a) The movement in the provision for impairment of loans during the year is as follows:

	2014 RO'000	2013 RO'000
At 1 January	**7,015**	6,071
Provision for impairment of loans – Specific	**381**	488
Provision for impairment of loans – General	**729**	1,049
Reversal of provision for impairment of loans - Specific	**(520)**	(593)
Written off during the year	**(2)**	-
At 31 December	**7,603**	7,015

b) The movement in the reserved banking and administrative service fees during the year is as follows:

	2014 RO'000	2013 RO'000
At 1 January	**251**	250
Banking and administrative service fees provided during the year	**76**	68
Banking and administrative service fees written back during the year	**(74)**	(63)
Written off during the year	**(12)**	(4)
At 31 December	**241**	251

Banking and administrative service fees on classified loans are not recognised as income by the bank so as to comply with the rules, regulations and guidelines issued by Central bank of Oman against mortgage loan accounts which are impaired i.e. overdue by more than 89 days.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

6 Mortgage loan accounts (continued)

At 31 December 2014 the specific provision for loan impairment and the reserved banking and administrative service fees represents 34.70 %(2013- 33.2%) of gross non-performing mortgage accounts. Also, the bank maintains collective provision for impairment for the performing loans amounting to RO 6,788,000 (2013 - RO 6,059,000).

The banking and administrative service fees rates varied from 1% to 8% (2013 - 1% to 8%) per annum in addition to the contribution received from the Government of the Sultanate of Oman.

Summary of mortgage loan accounts is as follows:

	2014	2013
	RO'000	RO'000
Performing accounts	**339,114**	302,718
Past due but not impaired	**281**	236
Non-performing mortgage loans	**3,044**	3,612
Total mortgage loans	**342,439**	306,566
Provision for impairment of loans	**(7,603)**	(7,015)
Reserved banking and administrative service fees	**(241)**	(251)
Net mortgage loan accounts as at 31 December	**334,595**	299,300
Past due but not impaired		
Past due (60 - 89 days)	**281**	236
Non-performing loans		
Substandard (past due 90 - 179 days)	**464**	1,037
Doubtful (past due 180 - 364 days)	**838**	1,018
Loss (past due 365 days and over)	**1,742**	1,557
	3,044	3,612
Fair value of collateral	**6,711**	8,156

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

7 Property and equipment

	Land and buildings RO'000	Furniture, fixtures and equipment RO'000	Other equipment RO'000	Motor vehicles RO'000	Capital-work-in-progress RO'000	Total RO'000
Cost						
At 1 January 2013	3,227	1,155	752	219	263	5,616
Additions	-	26	84	80	128	318
Disposal	-	(25)	(48)	(64)	(8)	(145)
Revaluation	68	-	-	-	-	68
Transfer	278	22	2	-	(302)	-
At 1 January 2014	**3,573**	**1,178**	**790**	**235**	**81**	**5,857**
Additions	**-**	**29**	**37**	**-**	**202**	**268**
Disposals	**-**	**(3)**	**(140)**	**-**	**-**	**(143)**
Transfer	**(23)**	**23**	**6**	**-**	**(6)**	**-**
At 31 December 2014	**3,550**	**1,227**	**693**	**235**	**277**	**5,982**

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

7 Property and equipment (continued)

	Land and buildings RO'000	Furniture, fixtures and equipment RO'000	Other equipment RO'000	Motor vehicles RO'000	Capital-work-in-progress RO'000	Total RO'000
Depreciation						
At 1 January 2013	1,552	1,039	671	210	-	3,472
Charge for the year	30	35	47	23	-	135
Disposals	-	(24)	(48)	(64)	-	(136)
At 1 January 2014	**1,582**	**1,050**	**670**	**169**	**-**	**3,471**
Charge for the year	**41**	**42**	**50**	**16**	**-**	**149**
Disposals	**-**	**(3)**	**(140)**	**-**	**-**	**(143)**
At 31 December 2014	**1,623**	**1,089**	**580**	**185**	**-**	**3,477**
Carrying value						
At 31 December 2014	**1,927**	**138**	**113**	**50**	**277**	**2,505**
At 31 December 2013	1,991	128	120	66	81	2,386

Land and buildings includes lands granted by the Government of Sultanate of Oman at no cost. The market value of such lands at 31 December 2014 is RO 1,157,000 (2013- RO 1,157,000). The Bank revalue its lands on a regular basis.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Other assets

	2014 RO'000	2013 RO'000
Other receivables	**1,903**	1,782
Prepayments and others	**252**	250
	2,155	2,032

9 Customers' deposits

	2014 RO'000	2013 RO'000
Saving accounts	**8,313**	7,713
Term deposits	**68,248**	50,703
	76,561	58,416

Interest rates on savings accounts varied from 1% to 2% (2013 - 1% to 2%) per annum. Interest rates on term deposits varied from 1.2% to 2.5% (2013 - 1.3% to 2.5%) per annum.

Term deposits include deposit from the Government of the Sultanate of Oman represented by Ministry of Finance as advance for share capital increase, amount to RO 21,350,000, the deposit is for six months period and carries interest rate of 0.47% (2013 - nil) per annum.

10 Loans from the Government

	2014 RO'000	2013 RO'000
Government loan – 1	**34,830**	34,830
Government loan – 2	**10,000**	10,000
Government loan – 3	**8,000**	8,000
Government loan – 4	**31,000**	31,000
Subordinated loan	**20,000**	20,000
	103,830	103,830

Loans 1 and 2 from the Government of the Sultanate of Oman are denominated in Rial Omani and carry interest rates of 5% and 3% (2013 - 5% and 3%) per annum.

Loan 3 from the Government of the Sultanate of Oman is denominated in Rial Omani and carries interest rate of 3% (2013 - 3%) per annum.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

10 Loans from the Government (continued)

Government loans 1, 2 and 3, the bank has applied for restructuring of the terms and conditions, with the Government of Sultanate of Oman. However, a response was awaited at the reporting date.

Loan 4 from the Government of the Sultanate of Oman is denominated in Rial Omani and carries interest rate of 3% (2013 - 3%) per annum.

The management believes that these amounts will not be paid in the next 12 months.

During 2001, the Government of Sultanate of Oman approved a subordinated loan of RO 20,000,000 to the bank, of which RO 12,000,000 was disbursed during the year 2001, RO 2,000,000 was disbursed during 2002, and the balance of RO 6,000,000 was disbursed during 2003. This is an interest free loan and there are no fixed repayment terms for this loan.

11 Loan from the Arab Fund for Economic & Social Development

During 2014, the Arab Fund for Economic & Social Development approved a loan of Kuwait Dinar 40,000,000 to the bank of which KWD 5,000,000 equivalent RO 6,638,565 has been disbursed as at 31 December 2014, the balance will be disbursed in 2015. Interest paid every six month of each year in February and August. The loan is repayable in thirty six semi-annual equal installments each amount to KWD 1,100,000 and last installment amounted to KWD 400,000 after a grace period of four years from the first withdrawal.

12 Other liabilities

	2014 RO'000	2013 RO'000
Retention payable to contractors	**3,740**	3,695
Accrued interest	**2,613**	2,321
Customers' insurance payable	**892**	809
Sale proceeds for financing new residences and personal stakes	**1053**	817
End of service benefits (refer below)	**170**	180
Other payables	**1,644**	1,677
	10,112	9,499

The movement in the end of service benefits liability during the year is as follows:

	2014 RO'000	2013 RO'000
At 1 January	**180**	160
Expense recognised in the statement of comprehensive income	**22**	23
Cash paid to employees	**(32)**	(3)
At 31 December	**170**	180

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

13 Share capital

The share capital of the bank is divided into 30,000,000 (2013 - 30,000,000) fully paid shares of RO 1 each. The shareholding pattern is as follows:

	2014	2013
Government of the Sultanate of Oman - Ministry of Finance	**61.0%**	61.0%
Internal Security Service Pension Fund	**6.5%**	6.5%
Royal Guard of Oman Pension Fund	**6.5%**	6.5%
Ministry of Defence Pension Fund	**6.5%**	6.5%
Royal Oman Police Pension Fund	**6.5%**	6.5%
Civil Service Employees Pension Fund	**6.5%**	6.5%
Public Authority for Social Insurance	**6.5%**	6.5%
	100%	100%

14 Legal reserve

In accordance with the bank's Articles of Association, the bank is required to transfer 10% of its profit for the year, to a legal reserve may not stop this deduction only if the balance of this account is one-third of the capital. The legal reserve is not available for distribution.

15 Special reserve

In accordance with the Articles of Association of the bank, after appropriation of legal reserve and dividend proposed, an amount as determined by the General Assembly can decide to regular accounts configured backup is optional not exceeding 20% (2013-20%) of the net profits.

16 Revaluation reserve

This reserve represents the fair value gain arising from revaluation of lands after the initial recognition by internal valuers of the bank. There is no movement during 2014 for the revaluation reserve :

	2014	2013
	RO'000	RO'000
At 1 January	**1,157**	1,089
Revaluation surplus during the year	**-**	68
At 31 December	**1,157**	1,157

The revaluation reserve is not available for distribution.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

17 Proposed dividend

The divided of 8% (2013 - 8%) of the share capital has been proposed by the banks board of directors in meeting dated 23 December 2014 and will be submitted for formal approval for the coming annual general meeting.

18 Interest income

	2014 RO'000	2013 RO'000
Banking and administrative service fee	**3,955**	3,142
Government contribution to administrative fee (refer below)	**20,944**	19,190
Interest on short-term deposits	**12**	25
	24,911	22,357

In accordance with Article 6 of the Royal Decree No. 51/77and the Royal Decree No.36/2010, borrowers are charged a proportion of the prevailing total rate of banking and administrative service fees, determined in accordance with their monthly income. The Government of the Sultanate of Oman bears the difference between the prevailing total rate of banking and administrative service fees and the reduced rate of banking and administrative service fees. for the year 2014 the subsidy amount was RO 20,943,456 (2013 - RO 19,190,454).

19 Interest expense

	2014 RO'000	2013 RO'000
Interest on loans from the Government	**3,212**	3,211
Interest on customers' deposits	**1,222**	655
Interest on loan from Arab Fund for Economic& Social Development	**54**	-
	4,488	3,866

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

20 Other income

	2014 RO'000	2013 RO'000
Fees and commissions	**1,164**	996
Miscellaneous income	**35**	36
	1,199	1,032

21 General and administrative expenses

	2014	2013
Staff expenses	**5,433**	5,274
Training expenses	**125**	126
Professional fees	**141**	108
Communication costs	**82**	79
Board of Directors' remuneration - proposed	**72**	72
Board of Directors' meeting expenses and sitting fees	**23**	20
Utilities and rent	**93**	105
Maintenance	**119**	103
Legal expenses	**26**	25
Travelling expenses	**26**	26
Marketing expense	**38**	20
Stationary charges	**27**	33
Miscellaneous expenses	**150**	174
	6,355	6,165

22 Earnings per share (basic and diluted)

The basic earnings per share has been derived by dividing the profit for the year attributable to the shareholders by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

	2014	2013
Net profit for the year (RO'000)	**14,526**	12,279
Weighted average number of shares outstanding (shares'000)	**30,000**	30,000
Earnings per share - basic and diluted (RO)	**0.484**	0.409

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

23 Mortgage loan commitments

	2014 RO'000	2013 RO'000
Mortgage loan accounts - approved but not disbursed	**30,139**	31,403

24 Cash and cash equivalents

	2014	2013
Cash and balances with banks	**4,268**	5,282
Short term deposit	**4,000**	-
	8,268	5,282

Short term deposits with Al Ahli Bank SAOG mature in less than three months from the date of placement and carries interest at the rate of 0.15% (2013 – Nil) per annum.

25 Related parties

The bank has entered into transactions with Government, its Directors, key management and other entities over which certain directors are able to exercise significant influence in the ordinary course of business.

Transactions included in statement of comprehensive income are as follows:

	2014 RO'000	2013 RO'000
Government		
Government contribution to administrative fee (note 18)	**20,944**	19,190
Interest on loans from the Government (note 19)	**3,212**	3,211
Directors		
Banking and administrative fees	**2**	2
Board of Directors' meeting expenses and sitting fees (note 21)	**23**	20
Board of Directors' remuneration - proposed (note 21)	**72**	72
Key management		
Banking and administrative fees	**27**	26

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

25 Related parties (continued)

Amount due (to) / from related parties:

	2014 RO'000	2013 RO'000
Government		
Loans from the Government (note 10)	**103,830**	103,830
Interest accrued on loans from the Government	**1,912**	1,912
Receivable against Government contribution to administrative fee	**1,903**	1,740
Fixed deposits from Shareholders	**36,350**	14,000
Directors		
Mortgage loan accounts	**58**	23
Key management		
Mortgage loan accounts	**487**	524

All loans to related parties are performing loans and no provision for impairment has been made against these loans.

Compensation of the key management personnel is as follows:

	2014 RO'000	2013 RO'000
Salaries and allowances	**656**	663
Other benefits	**131**	128
	787	791

26 Capital management

The bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The bank's capital comprises debts that include borrowings and equity attributable to shareholders, comprising issued capital, reserves and retained earnings under notes 13 to 16.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

26 Capital management (continued)

Gearing ratio

The bank's financial Risk Management Committee reviews the capital structure on a semi - annual basis. As part of this review, the committee considers the cost of capital and the risk associated with each class of capital. The debt to equity ratio at the reporting date is as follows:

	2014 RO'000	2013 RO'000
Debt	**187,030**	162,246
Equity	**150,381**	138,255
Debt to equity ratio	**124.37%**	117.35%

Debt includes loan from Government, Loan from the Arab Fund for Economic & Social Development and customer deposits.

Equity includes all the capital and reserves of the bank.

Capital adequacy

The capital adequacy, calculated in accordance with the Bank for International Settlements (BIS) guidelines, is as follows:

	2014 RO'000	2013 RO'000
Capital base		
Tier 1	**146,824**	137,098
Tier 2	**2,435**	2,272
Total capital base	**149,259**	139,370
Risk weighted assets		
Credit risk - on balance sheet items	**146,672**	136,287
Credit risk - off balance sheet items	**11,370**	11,847
Operational risk	**36,775**	33,663
Total risk weighted assets	**194,817**	181,797
Capital adequacy ratio	**76.62%**	76.66%

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

27 Risk management policies

Risk Management is the process by which the bank identifies key risks, obtains consistent, understandable risk measures and chooses which risks reducing and which to increase and by what means and establishes procedures to monitor the resulting risk position. The objective of risk management is to ensure that the bank operates within the risk levels set by the bank's Board of Directors while the various business functions pursue their objective of maximizing the risk adjusted returns. The bank has exposure to the following core risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The bank borrows money from the Government, foreign and local financial institutions and local commercial banks at fixed interest rates and for various periods and seeks to earn above average interest margins by investing these funds in providing housing loans. The bank continuously reviews its policies and internal control systems in order to ensure they include all reasonable procedures to minimise the risks as much as possible.

Market risk

Market risk is the risk of loss due to adverse changes in interest rates. The bank does not actively participate in trading in debts, equity securities, and foreign exchange or derivative instruments.

Interest rate risk

Interest rate risk arises from the possibility that changes in the interest rates and the mis-matches in the amounts of assets or liabilities that mature or re-price during a given period.

The bank provides housing assistance to Omani nationals by providing supported housing loans in accordance with its objectives. The interest of loan service provided by the bank carries rates supported by the government.

The bank manages this risk by matching the re-pricing of assets and liabilities and through risk management strategies. The loans extended by the bank are for periods varying from one to over twenty five years are at fixed interest rates, albeit with interest variance clause. However, any re-pricing of the bank's liabilities by its lenders due to economic factors would result to some extent in interest rate risk. The bank mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from the Government at fixed interest rates.

Interest rate risk arises in the bank's core statement of financial position as a result of mismatches in the re-pricing of interest rate sensitive financial assets and liabilities. The bank mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from its lenders at fixed interest rates. The bank's exposure to interest rate risk is shown in note 27.

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

27 Risk management policies (continued)

Credit risk

Credit risk is the potential loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligations in accordance with the agreed terms. The function of credit risk management is to maximise the bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Credit risk makes up the largest part of the bank's risk exposure. Credit Risk Management process of the bank begins with the risk policy, updated regularly, which clearly defines parameters for each type of risks assumed by the bank.

Risk limit control and mitigation policies

The bank addresses credit risk through the following process:

- All credit processes - Approval, disbursal, administration, classification, recoveries and write-off are governed by the bank's Credit manual which is reviewed by the bank's Risk Management Department. The credit policy stipulates clear guidelines for each of these functions and the lending authority at various levels as stipulated in appropriate 'Lending Authority Limits'.

- All lending accounts are reviewed on a portfolio basis at least once a year. Concentration of exposure to counterparties are monitored according to regulatory norms and limits prescribed in the bank's risk policy.

- The bank employs a range of policies and practices to mitigate credit risk prevalent in credit exposures. Most common collateral taken is Mortgages over residential properties.

All loans of the bank are regularly monitored to ensure compliance with the stipulated repayment terms. Those loans are classified into one of the five risk classification categories: Standard, Special Mention, Substandard, Doubtful, and Loss as stipulated by Central Bank of Oman regulations and guidelines (note 5). The responsibility for identifying problem accounts and classifying them rests with business line function.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from the bank's loan portfolio based on the following:

- Regular review of the loans portfolio to identify any potential risk;
- 99.11% of the loans and advances portfolio are considered to be neither past due nor impaired (2013 - 98.500%);
- Impaired loan assessed on an individual basis amounted to RO 3,044,000 (2013 - RO 3,612,000) which is 0.89% (2013 - 1.2%) of total gross mortgaged loans.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

27 Risk management policies (continued)

Credit risk (continued)

Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk before collateral held for all on-balance sheet items and off-balance sheet items based on net carrying amounts at reporting date:

	2014		2013	
	RO'000	**%**	RO'000	%
Balances with banks	**8,152**	**2.18**	5,147	1.50
Term deposits	**-**	**-**	1,000	0.30
Mortgage loan accounts	**334,595**	**89.27**	299,300	88.30
Other assets	**1,903**	**0.51**	1,782	0.60
Mortgage loan commitments	**30,139**	**8.04**	31,403	9.30
	374,789	**100**	338,632	100.00

There is no significant credit exposure with any individual counter party.

Liquidity risk

Liquidity risk is the potential inability of the bank to meet its maturing obligations to a counter party. The bank's conservative liability management policies are designed to ensure that even in adverse situations the bank should be in a position to meet its obligations. In normal conditions the objective is to ensure that there are sufficient funds available to meet current financial commitments.

The Board of Directors and the management monitor the bank's liquidity requirements.

The bank endeavours to obtain low cost borrowings locally on both short and long-term bases to finance its loans.

The maturity profile of assets and liabilities is set out in note 28.

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

28 Financial risk management

Interest rate risk

The table below summarises the bank’s exposure to interest rate risks. Included in the table are the bank’s assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as on 31 December 2014:

	Interest rate %	Up to 1 month RO’000	1 - 3 months RO’000	3 - 6 months RO’000	6 - 9 months RO’000	9 - 12 months RO’000	1 - 3 years RO’000	3 - 5 years RO’000	More than 5 years RO’000	Non-sensitive RO’000	Total RO’000
Assets											
Cash and balances with banks	0.15	4,000	-	-	-	-	-	-	-	4,268	8,268
Term deposits		-	-	-	-	-	-	-	-	-	-
Mortgage loan accounts	1-8	4,138	10,499	16,865	19,304	21,684	38,555	39,510	184,040	-	334,595
Property and equipment		-	-	-	-	-	-	-	-	2,505	2,505
Other assets		1,903	-	-	-	-	-	-	-	252	2,155
Total assets		10,041	10,499	16,865	19,304	21,684	38,555	39,510	184,040	7,025	347,523
Liabilities and equity											
Customers’ deposits	0.47-2.5	2,491	2,891	19,564	22,941	1,091	23,428	2,078	2,077	-	76,561
Loans from the Government	3-5	-	-	-	-	-	52,830	31,000	_	20,000	103,830
Loan from the Arab Fund	3	-	-	-	-	-	-	6,639			6,639
Other liabilities		2,511	64	-	271	-	59	-	308	6,899	10,112
Shareholders’ equity		-	-	-	-	-	-	-	-	150,381	150,381
Total liabilities and equity		5,002	2,955	19,564	23,212	1,091	76,317	39,717	2,385	177,280	347,523
Interest rate sensitivity gap		5,039	7,544	(2,699)	(3,908)	20,593	(37,762)	(207)	181,655	(170,255)	
Cumulative gap		5,039	12,583	9,884	5,976	26,569	(11,193)	(11,400)	170,255		

OMAN HOUSING BANK SAOC

Notes to the financial statements for the year ended 31 December 2014 (continued)

28 Financial risk management (continued)

Interest rate risk (continued)

31 December 2013

	Interest rate %	Up to 1 month RO'000	1 - 3 months RO'000	3 - 6 months RO'000	6 - 9 months RO'000	9 - 12 months RO'000	1 - 3 years RO'000	3 - 5 years RO'000	More than 5 years RO'000	Non-sensitive RO'000	Total RO'000
Assets											
Cash and balances with banks		-	-	-	-	-	-	-	-	5,282	5,282
Term deposits	2.5	-	-	1,000	-	-	-	-	-	-	1,000
Mortgage loan accounts	1 - 8	3,744	7,795	11,097	13,307	15,683	35,000	35,821	176,853	-	299,300
Property and equipment		-	-	-	-	-	-	-	-	2,386	2,386
Other assets		1,740	-	43	-	-	-	-	-	249	2,032
Total assets		5,484	7,795	12,140	13,307	15,683	35,000	35,821	176,853	7,917	310,000
Liabilities and equity											
Customers' deposits	1.3 - 2.50	1,986	5,586	11,702	7,386	18,386	9,508	1,928	1,934	-	58,416
Loans from the Government	3-5	-	-	-	-	-	52,830	31,000	-	20,000	103,830
Other liabilities		1,929	60	197	48	73	-	-	-	7,192	9,499
Shareholders' equity		-	-	-	-	-	-	-	-	138,255	138,255
Total liabilities and equity		3,915	5,646	11,899	7,434	18,459	62,338	32,928	1,934	165,447	310,000
Interest rate sensitivity gap		1,569	2,149	241	5,873	(2,776)	(27,338)	2,893	174,919	(157,530)	
Cumulative gap		1,569	3,718	3,959	9,832	7,056	(20,282)	(17,389)	(157,530)		

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

28 Financial risk management (continued)

Liquidity risk

The amounts disclosed in table below analyse the bank's financial assets and financial liabilities as on 31 December 2014 into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual discounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

	Up to 1 month RO'000	1 - 3 months RO'000	3 - 6 months RO'000	6 - 9 months RO'000	9 - 12 months RO'000	1 - 3 years RO'000	3 - 5 years RO'000	More than 5 years RO'000	Non-sensitive RO'000	Total RO'000
Assets										
Cash and balances with banks	4,000	-	-	-	-	-	-	-	4,268	8,268
Term deposits	-	-	-	-	-	-	-	-	-	-
Mortgage loan accounts	4,138	10,499	16,865	19,304	21,684	38,555	39,510	184,040	-	334,595
Property and equipment	-	-	-	-	-	-	-	-	2,505	2,505
Other assets	1,903	-	-	-	-	-	-	-	252	2,155
Total assets	10,041	10,499	16,865	19,304	21,684	38,555	39,510	184,040	7,025	347,523
Liabilities and equity										
Customers' deposits	2,491	2,891	19,564	22,941	1,091	23,428	2,078	2,077	-	76,561
Loans from the Government	-	-	-	-	-	52,830	31,000		20,000	103,830
Loan from the Arab Fund	-	-	-	-	-	-	6,639-		-	6,639
Other liabilities	2,511	64	_	271	_	59	-	308	6,899	10,112
Shareholders' equity	-	-	-	-	-	-	-		150,381	150,381
Total liabilities and equity	5,002	2,955	19,564	23,212	1,091	76,317	39,717	2,385	177,280	347,523
Net liquidity gap	5,039	7,544	(2,699)	(3,908)	20,593	(37,762)	(207)	181,655	(170,255)	-
Cumulative liquidity gap	5,039	12,583	9,884	5,976	26,569	(11,193)	(11,400)	170,255	-	
Liabilities off balance sheet										
Mortgage loan commitments	2,740	2,318	2,249	2,471	2,554	9,778	8,029	-	-	30,139
Total equity and liabilities (including off balance sheet)	7,742	5,273	21,813	25,683	3,645	86,095	47,746	2,385	177,280	377,662
Gap in maturity	2,299	5,226	(4,948)	(6,379)	18,039	(47,540)	(8,236)	181,655	(170,255)	(30,139)
Cumulative gap in maturity including off-balance sheet items	2,299	7,525	2,577	(3,802)	14,237	(33,303)	(41,539)	140,116		

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

28 Financial risk management (continued)

Liquidity risk (continued)

	Up to 1 month RO'000	1 - 3 months RO'000	3 - 6 months RO'000	6 - 9 months RO'000	9 - 12 months RO'000	1 - 3 years RO'000	3 - 5 years RO'000	More than 5 years RO'000	Non-sensitive RO'000	Total RO'000
Assets										
Cash and balances with banks	-	-	-	-	-	-	-	-	5,282	5,282
Term deposits	-	-	1,000	-	-	-	-	-	-	1,000
Mortgage loan accounts	3,744	7,795	11,097	13,307	15,683	35,000	35,821	176,853	-	299,300
Property and equipment	-	-	-	-	-	-	-	-	2,386	2,386
Other assets	1,740		43		-	-	-	-	249	2,032
Total assets	5,484	7,795	12,140	13,307	15,683	35,000	35,821	176,853	7,917	310,000
Liabilities and equity										
Customers' deposits	1,986	5,586	11,702	7,386	18,386	9,508	1,928	1,934	-	58,416
Loans from the Government	-	-	-	-	-	52,830	31,000	-	20,000	103,830
Other liabilities	1,929	60	197	48	73		-	-	7,192	9,499
Shareholders' equity	-	-	-	-	-	-	-	-	138,255	138,255
Total liabilities and equity	3,915	5,646	11,899	7,434	18,459	62,338	32,928	1,934	165,447	310,000
Net liquidity gap	1,569	2,149	241	5,873	(2,776)	(27,338)	2,893	174,919	(157,530)	-
Cumulative liquidity gap	1,569	3,718	3,959	9,832	7,056	(20,282)	(17,389)	157,530	-	-
Liabilities off balance sheet										
Mortgage loan commitments	2,855	2,416	2,344	2,574	2,661	10,188	8,365	-	-	31,403
Total equity and liabilities (including off balance sheet)	6,770	8,062	14,243	10,008	21,120	72,526	41,293	1,934	165,447	341,403
Gap in maturity	(1,286)	(267)	(2,103)	3,299	(5,437))	(37,526)	(5,472)	174,919	(157,530)	(31,403)
Cumulative gap in maturity including off-balance sheet items	(1,286)	(1,553)	(3,656)	(357)	(5,794)	(43,320)	(48,792)	126,127		

OMAN HOUSING BANK SAOC

Notes to the financial statements
for the year ended 31 December 2014 (continued)

29 Segmental information

The bank operates only one business segment of the banking industry and its operating revenues arise from providing finance for housing in the Sultanate of Oman.

Since the bank's entire mortgage loan accounts have associated risks and returns which are similar, the directors consider all mortgage loan accounts to be a single business. Accordingly, there is only one segment.

30 Taxation

In accordance with the Royal Decree No. 51/77 and Royal Decree No. 36/2010 the bank is exempt from income tax.

31 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on XX January 2015.