Pioneering integrated housing

ANNUAL REPORT
2012

بنك الإسكان العماني
OMAN HOUSING BANK

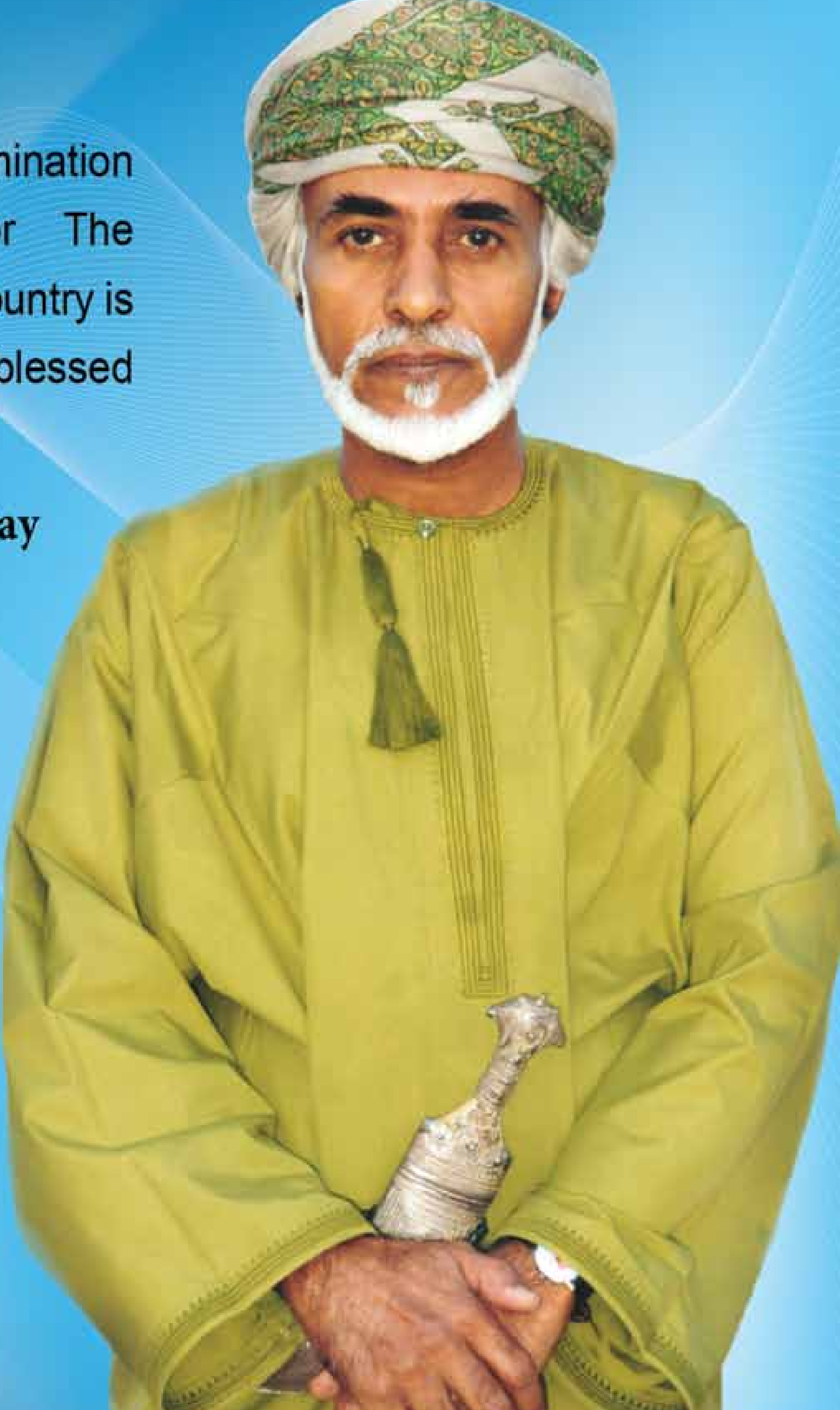
Thank you

Your Majesty, language is incapable of expressing our love for you.
You remain our sole source of pride.

OMAN HOUSING BANK

" Your strong determination and genuine drive for The advancement of Your country is the incentive of our blessed march "

the 3rd National Day
1973



His Majesty

Sulatan Qaboos bin Said

OMAN HOUSING BANK SAOC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

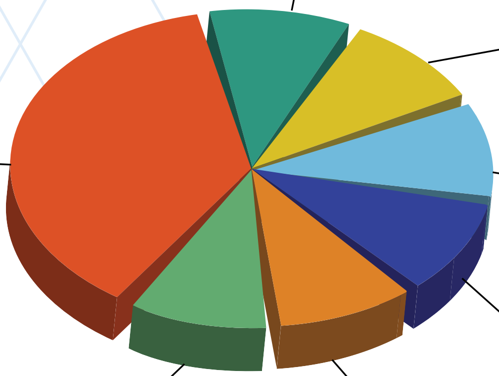
Vision

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



Authorized Capital OR	18,300,000	1,950,000	1,950,000	1,950,000	1,950,000
	18,300,000	1,950,000	Total 30,000,000		

Our Branches

Branch Name	Telephone	Fax	P.O. Box	Postal Code
Main Branch	24704444	24704060	2555	112
Salalah	23292337	23295652	966	211
Sohar	26846680	26847366	252	311
Sur	25540242	25543224	200	411
Nizwa	25410375	25410075	711	611
Khasab	26730448	26730449	28	811
Buraimi	25650706	25650707	370	512
Rostaq	26875799	26878820	222	418
Ibra	25570630	25570830	262	413

Call Center : 24796361 , 24796362
Email : ohb@ohb.co.om

Board of Directors

H.E. Darwish bin Ismail bin Ali Al Balushi
Chairman

Air commodore Hassan bin Khamis bin Mohammed Al-Ajmi
Head of Auditing Comittee

Sheikh Nasser bin Sulieman bin Hamed Al Harthy
Head of Financial Comittee & Risk Mangament

Eng. Abdullah bin Rashed bin Salim Al Kiymi
Member

Said bin Abdullah bin Said Al Hosni
Member

Rashed bin Mohammed bin Ali Al Makhtumi
Member

Adnan bin Haider bin Darwish
Secretary of the Board of Directors

Sami bin Yahya bin Hamed Aldgeshi
Member

Board of Directors Report
For the year 2012

Respected shareholders,

I welcome you and it gives me pleasure, on my behalf and on behalf of my colleagues the members of the Board of Directors, to present to you the annual report and the results of the Bank, its achievements and financial statements for the year ended 31/12/2012.

The year 2012 was a positive year in all respects. The Bank was able to achieve its targets set out in its budget whether on the lending level or enhancing its financial position as well as a number of achievements as described in the report.

H.E. Darwish bin Ismail bin Ali Al Balushi
Chairman

Exemption from banking and administrative fees and approval of new structure for services fees:

His Majesty Sultan Qaboos bin Said has issued his instructions on 14/8/2012 to exempt the borrowers from services and administrative fees until that date and to endorse new and obtainable structure for banking and administrative fees ranging between 1-4% instead of 3-7%.

13340 citizens have benefited from the exemption and accordingly the Government will bear the resulting cost at Ro 188.9 million until the end of payment period. This noble deed has pleased the citizens and mitigated their burden.

His Majesty the Sultan used to bestow such noble deeds to ease life for the citizens in all respects to live in prosperity. It gives me honour to take this opportunity to extend to His Majesty the Sultan, on my behalf and on behalf of the Board of Directors, Executive Management and the employees of the bank, our sincere thanks, appreciation and gratitude for the noble deed.

A comparison between the banking and administrative fees before and after the exemption

Income and fees categories before the exemption		Income and fees categories after the exemption	
Monthly income categories (RO)	Service fees	Monthly income categories (RO)	Service fees
0-200	3%	0-400	1%
201-400	4%	401-700	2%
401-600	6%	701-1000	3%
More than 600	7%	More than 1000	4%

Lending Activity:

Thanks to the continuous support of the wise government. The bank continued providing subsidized loans to citizens during 2012 as follows:

The number of approved loans was 1255 at RO 41 million as at the end of 2012. The bank endeavored to extend its services to the various regions of the Sultanate especially the regions outside the Governorate of Muscat. Loans granted to citizens outside the Governorate of Muscat were 984 loans with a total value of RO 29.9 million at 72.9% of the total value of loans in 2012.

The following table shows the loans granted at subsidized fees distributed among the bank branches in the various Governorates and Wilayats of the Sultanate during 2012 and 2011.

Branch	Subsidized loans approved during year 2012				Subsidized loans approved during year 2011			
	Number	Percentage %	Amount (RO)	Percentage %	Number	Percentage %	Amount (RO)	Percentage %
Main branch	271	21.6	11,146,300	27.2	332	20	10,333,200	23
Salalah	51	4.1	2,048,500	5	46	2.8	1,406,100	3.1
Sohar	130	10.4	3,778,000	9.2	132	8	3,302,700	7.3
Sur	72	5.7	2,168,500	5.3	96	5.8	2,503,600	5.6
Nizwa	220	17.5	6,702,700	16.3	342	20.6	9,313,900	20.7
Khasab	15	1.2	455,200	1.1	34	2	921,900	2
Al Buraimi	53	4.2	1,784,100	4.4	119	7.2	3,141,900	7
Al Rustaq	337	26.8	10,058,100	24.5	379	22.8	9,788,400	21.8
Ibra	106	8.5	2,858,600	7	180	10.8	4,288,300	9.5
Total	1255	100%	41,000,000	100%	1660	100%	45,000,000	100%

It is noted that the approved loans budget for 2012 was less than 2011 as lending projection for 2012 were less. However, the situation has changed dramatically after the instructions of His Majesty the Sultan to indorse new structure for banking and administrative services as detailed above which resulted in high turnout on borrowing from the Bank which entailed provision of double budget for 2013 at RO 80 million which is two folds of the lending budget in 2012.

Total subsidized loans the bank granted to citizens since its establishment in 1977 up to the end of 2012 in all the branches in various Governorate and regions of the Sultanate are 33574 loans with a total value of RO 624.2 million (Six Hundred Twenty Four Million and Two Hundred Thousand Rials).

Subsidized loans granted to citizens outside the Governorate of Muscat were 18417 loans with a total value of RO 343.4 million at 54.9% of the total number of loans and 55% of the value, as per the following table:

Branch	Subsidized loans approved since the establishment of each branch Up to the year ended in 31/12/2012			
	Number	Percentage %	Amount (RO)	Percentage %
Main branch	15157	45.2	280,688,691	45
Salalah	4291	12.8	72,521,651	11.6
Sohar	2929	8.7	48,585,942	7.8
Sur	2097	6.2	35,914,296	5.8
Nizwa	3197	9.5	64,279,952	10.3
Khasab	582	1.7	10,262,100	1.6
Al Buraimi	959	2.9	20,133,155	3.2
Al Rustaq	2939	8.8	63,722,400	10.2
Ibra	1423	4.2	28,067,500	4.5
Total	33574	100%	624,175,687	100%

The bank has granted, in 2012 housing loans to those who were not eligible for subsidized loans RO 5.4 million comparing to RO 11.1 in 2011. Loans granted to citizens in the regions outside the Governorate of Muscat were 117 loans with a total value of RO 3.03 million at 63.59% of the total number of loans and 56.1% of their value.

The following table shows non-subsidized housing loans granted by the Bank's branches in the various Governorates and regions of the Sultanate in 2012 and 2011.

Branch	Non-subsidized loans (Maskan) approved during year 2012				Non-subsidized loans (Maskan) approved during year 2011			
	Number	Percentage %	Amount (RO)	Ratio	Number	Percentage %	Amount (RO)	Ratio
Main branch	67	36.4	2,326,300	43.4	125	38.3	4,983,520	44.9
Salalah	9	4.9	241,300	4.5	35	10.7	1,317,000	11.9
Sohar	19	10.3	293,200	5.5	22	6.8	610,700	5.5
Sur	9	4.9	416,900	7.8	12	3.7	387,300	3.5
Nizwa	8	4.4	226,300	4.2	35	10.7	1,077,500	9.7
Khasab	12	6.5	329,600	6.1	6	1.8	178,700	1.6
Al Buraimi	6	3.3	171,300	3.2	10	3.1	357,000	3.2
Al Rustaq	41	22.3	1,000,400	18.7	58	17.8	1,700,700	15.3
Ibra	13	7	354,400	6.6	23	7.1	488,392	4.4
Total	184	100%	5,359,700	100%	326	100%	11,100,812	100%

The following table shows that the number of loans granted to the citizens in the regions outside the Governorate of Muscat since the application of the non subsidized loans financing since 1/1/1993 up to the end of 2012 were 2842 loans at a total value of 71.9 million and 58.33% of the total number of loans and 51.88% of their value.

Branch	Non-subsidized loans approved since 1/1/1993 up to the year ended in 2012			
	Number	Percentage %	Amount (RO)	Percentage %
Main branch	2030	41.7	66,655,530	48.1
Salalah	564	11.6	17,244,400	12.4
Sohar	413	8.5	9,730,800	7
Sur	299	6.1	7,686,300	5.6
Nizwa	340	7	8,607,000	6.2
Khasab	96	2	2,052,100	1.5
Al Buraimi	153	3.1	3,905,625	2.8
Al Rustaq	698	14.3	17,115,500	12.4
Ibra	279	5.7	5,541,992	4
Total	4872	100%	138,539,247	100%

Financial Results

Scanning the figures of the financial statements of the bank for the year ended 31/12/2012, it is clear that the bank has achieved positive results by recording good growth in most of its financial highlights, as total assets of the bank has increased at the end of 2012 to reach RO 257.5 million comparing to RO 225 million at the end of 2011 with an increase of 14.4%.

The growth of assets was based mainly on the increase of housing loans portfolio, which increased as on 31/12/2012 to reach RO 247.8 million, comparing to RO 215.6 million at the end of the previous year with an increase of 15%. Due to the growth of the loans portfolio the total revenues from banking services increased to reach RO 19.7 million comparing to RO 18.4 million for the same period in the previous year.

The Bank realized net profits RO 10.3 million making a raise by 8.4% comparing to 2011 which was RO 9.5. The return on the share was 0.343 comparing to 0.317 at the end of 2011. Total shareholders equity was RO 125.9 comparing to 117.4 with an increase of 8.4%. The increase was due to increase in reserves and retained earnings.

The following table indicates the status of the financial highlights for the past five years from 2008 up to the year 2012.

The total amounts are in thousands RO.

Indices	2008	2009	2010	2011	2012
Net profit	8.434	8.853	9.038	9.534	10.3
Total assets	180.281	194.416	203.405	225.033	257.5
Total loans	156.340	177.544	200.300	215.565	247.8
Total customers deposits	5.648	12.364	14.086	9.158	26.8
Shareholders equity	96.884	103.337	110.261	117.395	125.9

The Bank is focusing to increase its assets and maintain the quality and strength of assets to enhance its financial position and to enable it to achieve its objects effectively.

The Board of Directors has resolved in its fourth meeting for 2012 to recommend to the Extraordinary General Meeting of shareholders to increase Bank's capital by RO70 million to RO 100 million after obtaining shareholders approval to finance the increase from shareholders according to their proportion in the capital in order to support Bank's financial position and to enable it to fulfill its obligations and to achieve its lending plan in 2013 for which a lending budget of RO 80 million is provided. All the shareholders have been informed of capital increase.

Further to the achievements realized in the past years on the different levels of bank's business such as the increase of loan's portfolio to more than RO247 million and shareholders' equity to more than RO 125, numbers of beneficiaries to more than 38446 Omani households obtaining RO 762 million, and the updating and modernizing of bank's systems, the Bank's management is seeking to realize more achievements in the various areas of business through a strategic and financial plans for the next ten years in line with the development plans of the Government and the Bank's mission in providing decent houses for the Omani families.

In the training and development field the Bank has organized 151 courses in various areas of work during the year in the Sultanate and abroad with the participation of 537 employees which would enhance the capabilities of the Bank's employees to carry out their duties and responsibilities properly. As the Omanization Ratio of the bank reached to 96.6%.

Organizational Structure

In response to meet the requirements of bank's strategic plan and to develop bank's operations, a new organizational structure has been approved to fulfill the requirements of bank's endeavors and assist in the organization of administrative affairs to achieve bank's objectives, which ill be implemented during 2013.

Core banking system renovation

In accordance with the requirements of development and the renovation targeted in bank's strategic plan, it has been decided to develop bank's current core banking system, in this connection, the bank has taken steps to achieve the aim in order to facilitate and accelerate the procedures of application for its customers and an agreement was signed with the consultant who will supervise the project as announced in the tender.

Finally, The Board of Directors of the Bank extends its sincere thanks, appreciation and gratitude to His Majesty Sultan Qaboos bin Said for his sublime instructions to the bank also we present our thanks to the wise Government for the continuous support to the bank to enable it to continue rendering the services to the citizens.

The Board also extend the thanks to the Ministry of Finance and the Central Bank of Oman and all ministries and government authorities and private institutions for their sincere cooperation in order to assist the bank to achieve its objectives and responsibilities. We also thank the employees of the Bank for their diligent and assiduous efforts for the service of this organization.

May Allah the Almighty inspire us for more giving to our beloved Oman under the wise leadership of His Majesty Sultan Qaboos bin Said may Allah grant him health and long life and the Omani people prosperity and wellbeing.

Thank you,

Darwish bin Ismail bin Ali Al Balushi
Chairman

General Manager’s Statement

Peace and God’s blessings be upon you

The Oman Housing Bank witnessed during the past period a number of developments and achievements which were realized due to His Majesty Sultan Qaboos bin Said and his keenness to ease the burden of life on the citizens and to facilitate a decent life, and for this purpose His Majesty has instructed to exempt the borrowers from the banking services and administrative charges and a new and obtainable structure for banking and administrative fees has been approved with fees ranging between 1-4% instead of 3-7% in addition, with the support of the wise government, the Board of Directors and the executive management, a discreet policy has been adopted to assist the bank achieving its objectives it is established for which is providing the citizens concessional housing loans and strengthening the financial position of the Bank.

The results of the Bank in 2012 confirmed the aptitude of the management to formulate and achieve the work plan successfully and attain its objectives.

The loans portfolio has increased as on 31/12/2012 to reach RO 247.8 million or 15% growth comparing to the end of 2011. The Bank was able to achieve steady growth in its operations through focusing on its core activity. Meanwhile the bank has been able to control the non-performing loans and that was the outcome of efforts extended in this regard to upgrade the banking services presented and its positive impact on the business management and services.

Thanks to the prudent policy the bank follows to attain the targeted growth, the bank continued granting loans steadily. And from this standpoint, our executive management will continue to present its efforts to develop Bank’s business and activities through following the well studied policies set out by the board of directors and the planned objectives targeted to provide healthy and appropriate housing for all the citizens throughout the Sultanate.

Finally It gives me honor to thank the wise Government for the continuous support to the Bank to enable it to continue rendering its services to the citizens and to HE the Chairman of the Board of Directors and the Members of the Board for their directives and continued follow up of Bank’s performance to achieve the goals for which it was established, and to our esteemed clients for their confidence. I also extend the thanks to all employees of this institution for their diligent efforts, sincerity and participation in its success and prosperity.

Thank you.

General Manager

Adnan bin Haider bin Darwish
General Manager
Secretary, Board of Directors

Risk Management Department

Legal disclosure according to Bazel II, Pillar III

1-RISK MANAGEMENT

The Board of Directors play an essential role in supervising the risk management operations to make sure that the risk management works are performed properly, and the bank transactions are done within the accredited limitations.

The Board of Directors confirm the risk management policies and determine the risk appetite , in addition to confirming the assessment process of the capital adequacy. The Board of Directors have formed a (financial and risk management) committee to help the Board of Directors suggest the polices of risk management, develop those policies, suggest the risk appetite , set up estimation schemes to estimate, measure and control risks as well as control the commitments of the bank units to the risks degrees and limitations, in addition to revising the competence and effectiveness of the risk management department through the supervision of the committee on the department operations.

DISCLOSURE POLICY:

The bank has an official policy derived from Bazel II - The requirements of disclosure according to Pillar **III** - stated and approved by the Board of Directors to be in conformity with the requirements of the Central Bank of Oman.

APPLICATION SCOPE:

The bank executes its works through a net of branches in the Sultanate of Oman and the Data presented below about the capital including the transactions of all the bank branches. The bank has no affiliated companies nor is it an affiliate to any group of banks.

CAPITAL STRUCTURE:

The regulatory capital can be divided into 3 tiers:

TIER (1): The basic capital which includes:

The paid-in capital, the legal reserve, the special reserve, retained profits

There are no innovative financial instruments in the capital. The authorized and the fully paid-in capital compromises the amount of (30) million shares at the value of one Rial per share. (10%) of the annual profits are deducted for the legal reserve account until the accumulated balance is equal to half of the paid capital. This reserve is not distributable. After the transfer transaction is processed, another amount, specified by the Board of Directors, is transferred into the special reserve until the accumulated balance is equal to (25%) of the paid-up capital. This reserve can be used to repay the bad debts. Forming retained profits aims to reinforce the financial status of the bank to face any unexpected issues.

TIER (2): Additional capital includes:

General loan losses provision (not more than 1.25%) of the assets at risk

TIER (3): Subordinated short-term loans to face market risks:

Tier (3) is not currently available in the bank yet. The proportions elements of the bank capital are shown as follows:

Composition of regulatory capital on 31/12/2012	(in thousands) RO
TIER (1) the basic capital	
The paid-up capital	30,000
The legal reserve	14,817
The special reserve	47,254
The Retained profits	32,748
Total of TIER 1	124,819
TIER (2) – the additional capital	
General provisions for the loan losses	2,003
Total of TIER (2)	2,003
Total of the qualifying capital	126,822

4. CAPITAL ADEQUACY:

Capital Adequacy is calculated in the bank according to (bazel II instructions) and the instructions of the Central Bank of Oman by using the standardised approach to calculate credit and market risks, if any, and applying the simple approach to include guarantees and adopt the basic index to calculate the transactional risks. Modes institution categorization is adopted to calculate the risks of claims in other banks as well as other financial institutions. The bank maintains a policy to keep an adequate powerful capital basis to go along with the nature of its activities in long-term loans and to face the losses risks or unexpected difficulties. Although the bank has a powerful capital basis which enhances its good performance in all circumstances and fluctuations in the market, the Board of Directors, conservatively and thoroughly, decided to increase the rate of the capital adequacy at the rate of(12%) more than the regulatory level required and specified by Central Bank of Oman at the rate of (10%) to make the adequate rate of the bank capital (14%), It is clear from the following data that the actual rate of the adequate capital in the bank (71.27%) at the end of the year.

The quantitative counting of the adequate capital of the bank can be represented in the following items

Particulars The amounts in thousands (RO)	Total balance (book value)	Net Balance (book value)	Risk exposed assets
Items recognized in the balance sheet		229,435	119,873
Items recognized outside the balance sheet		25,165	9,360
Tier 1 Capital		114,520	124,819
Tier 2 Capital		2,045	2,003
Tier 3 Capital		-	-
Total of Qualifying capital		116,565	126,822
Capital Requirement for credit risks		-	15,502
Capital Requirement for market risk.		-	-
Capital Requirement for operational risks		-	3,720
Total of the capital risk		-	19,228
Tier 1 Ratio		-	%77,90
Total capital adequacy ratio		-	%79,15

*** The net balance after deducting the interest in reserve & eligible collaterals.**

CREDIT RISKS:

The credit risks arise from all products and services when the bank counter party fail to meet their obligations in accordance of the terms and conditions of the contract. Although the credit borrowed from the bank and represented in housing loans for the public including property securities as well as it must be geographically located in Oman, the risks arise when the value of these securities do not meet the customer's obligations when they fall as due. The approvals for getting credits can be obtained only through the executive management within specific limitations and criteria, careful practices and special powers authorized by the Board of Directors so as to avoid the probable losses and reduce the possibility of the exposure to the credit risks. The bank follows the standardised approach to calculate the credit assets at risk at the rate of (35%) for housing loans subsidized by the Omani government, but (100%) for other loans. The bank determines the amount of the possible credit losses by applying the stated categorization of credits according to the circular of the Central Bank of Oman (BM977) dated on 25th September 2004 taking into consideration the market value for property securities at the rate of (50%). Considering that the credit borrowed from the bank is restricted in one type and within one geographical area, the quantities **disclosure** is as follows:

Type of credit (in thousands of RO)	Average of current period	Status as in 31/12/2012
Personal loans for employees	-	13
Housing loans for nationals, subsidized by the government of Oman	12,609	209,280
Housing loans, not subsidized by the Government of Oman.	45	38,555
Total	12,654	247,848

THE MOVEMENT OF LOANS TOTAL:

The amount in a thousand of Omani rials							
No.	Particulars	Regular loans		Irregular loans			
1		Standard	Special mention	Sub- standard loans	Doubtful loans	Losses	Total
2	Opening balance	237,723	477	905	663	1,278	241,046
3	Incorporation-change	(627)	(218)	590	148	106	(1)
4	New loans	17,196	5	4	2	3	17,201
5	Settlement	(4,022)	(2)	(33)	(30)	(26)	(4,113)
6	Written-off loans	-	-	-	-	-	-
7	Closing balance	250,270	262	1,466	1,783	1,361	254,142
8	Retained provision	5,005	5	361	229	473	6,073
	Retained interests	-	-	21	25	202	248

B: MARKET RISKS

Market risks are the risks arising from the fluctuations in the value of securities and transactions according to the continuous movement of the market. The article of the balance sheet do not currently include any assets or liabilities exposed to foreign exchange rates , since all transactions are processed in the Omani Rial, or the US dollar which is fixed to it. Concerning the interest rate risks, it can directly arise when there is an increase in the interest rate in the short term deposits or loans. The loan interest is fixed. The bank attempts to enter in long term loan agreements to avoid such kinds of interest risks by following the fixed interest rate. The financial statements of the bank distribution of assets and liabilities along a number of time bands determined in advance to show the critical gap towards the interest rate.

C: LIQUIDITY RISKS

The bank is exposed to liquidity risks when there is not enough cash in the bank to meet its liabilities when they fall due. Liquidity risks always arise when there is no time correlation between incoming cash flow and out coming cash flow. The bank follows a careful policy cash management by maintaining sufficient cash ready to meet its short term liabilities.

Liquidity management can be done by shortening the gap between the assets dues and liabilities and by entering in long and medium term loan agreements when necessary to guarantee the availability of cash so as to meet its liabilities when they fall as due. The financial statements of the bank include an analysis to the assets and liabilities dues in a number of time bands specified in advance to show the liquidity gap.

D: OPERATIONAL RISKS:

Operational risk is defined as the risk of loss resulting from inadequate or faild internal process, people and systems or external events. The bank follows the basic indicator approach to measure them. The estimated capital requirement under this approach is likely to be (15%) of the average annual gross income over the previous three years.

بنك الإسكان العماني
OMAN HOUSING BANK

From A to Z

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 the statement of financial position as at 31 December 2012 and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 they determine 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 about 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 entity'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 entity'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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the bank as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Commercial Companies Law of 1974, as amended.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
7 March 2013
Muscat, Sultanate of Oman

	Note	2012 RO,000	2011 RO,000
ASSETS			
Cash and balances with banks		4,853	1,468
Term deposits	4	1,000	6,000
Mortgage loan accounts	5	247,835	215,565
Property and equipment	6	2,144	1,228
Other assets	7	1,715	772
Total assets		257,547	225,033
LIABILITIES AND EQUITY			
LIABILITIES			
Customers' deposits	8	26,772	9,158
Loans from the Government	9	96,830	91,830
Other liabilities	10	8,037	6,650
Total liabilities		131,639	107,638
EQUITY			
Share capital	11	30,000	30,000
Legal reserve	12	14,817	13,787
Special reserve	13	47,254	45,400
Capital grant	14	350	350
Revaluation reserve	6, 15	739	125
Retained earnings		32,748	27,733
Total equity		125,908	117,395
Total liabilities and equity		257,547	225,033
Mortgage loan commitments	22	24,811	25,165

The financial statements on pages 2 to 30 were approved by the Board of Directors on 27 January 2013 and were signed on their behalf by:

H.E. Darwish Bin Ismail Ali Al Balushi
Chairman

Adnan Bin Haider Bin Darwish
General Manager

Report of the Auditors - page 1

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Note	2012 RO,000	2011 RO,000
Net interest income			
Interest income	17	19,681	18,428
Interest expense	18	(3,219)	(2,804)
		16,462	15,624
Other operating income			
Other income	19	1,011	1,012
Reversal of provision for impairment of loans -	5	230	479
Specific			
		1,241	1,491
Operating expenses			
General and administrative expenses	20	(5,978)	(5,420)
Depreciation of property and equipment	6	(105)	(148)
		(6,083)	(5,568)
Net operating profit before provisions and write		11,620	11,547
offs			
Provision for impairment of loans - Specific	5	(673)	(301)
Provision for impairment of loans - General	5	(645)	(1,679)
Bad debt directly written off		(3)	(33)
Profit for the year		10,299	9,534
Other comprehensive income			
Revaluation surplus during the year	15	614	-
Total comprehensive income for the year		10,913	9,534
(Earnings per share (basic and diluted	21	0.343	0.317

The notes on pages 6 to 30 form an integral part of these financial statements.

Report of the Auditors - page 1

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital RO,000	Legal reserve RO,000	Special reserve RO,000	Capital grant RO,000	Revaluation reserve RO,000	Retained earnings RO,000	Total RO,000
At 1 January 2011	30,000	12,834	42,309	350	125	24,643	110,261
Comprehensive income:							
Profit for the year	-	-	-	-	-	9,534	9,534
Total comprehensive income for the year	-	-	-	-	-	9,534	9,534
Transactions with owners:							
Dividend paid for 2010	-	-	-	-	-	(2,400)	(2,400)
Transfer to legal reserve	-	953	-	-	-	(953)	-
Transfer to special reserve	-	-	3,091	-	-	(3,091)	-
Total transactions with owners	-	953	3,091	-	-	(6,444)	(2,400)
At 31 December 2011	30,000	13,787	45,400	350	125	27,733	117,395
At 1 January 2012	30,000	13,787	45,400	350	125	27,733	117,395
Comprehensive income:							
Profit for the year	-	-	-	-	-	10,299	10,299
Total comprehensive income for the year	-	-	-	-	-	10,299	10,299
Other comprehensive income:							
Revaluation surplus during the year (note 15)	-	-	-	-	614	-	614
Total other comprehensive income for the year	-	-	-	-	614	-	614
Transactions with owners:							
Dividend paid for 2011	-	-	-	-	-	(2,400)	(2,400)
Transfer to legal reserve	-	1,030	-	-	-	(1,030)	-
Transfer to special reserve	-	-	1,854	-	-	(1,854)	-
Total transactions with owners	-	1,030	1,854	-	-	(5,284)	(2,400)
At 31 December 2012	30,000	14,817	47,254	350	739	32,748	125,908

The notes on pages 6 to 30 form an integral part of these financial statements.

Report of the Auditors - page 1

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 RO,000	2011 RO,000
Operating activities		
Profit for the year	10,299	9,534
:Adjustments		
Depreciation of property and equipment	105	148
Reversal of provision for impairment of loans - specific	(230)	(479)
Provision for impairment of loans - specific	673	301
Provision for impairment of loans - general	645	1,679
Bad debt directly written off	3	33
Operating profit before changes in operating assets and liabilities	11,495	11,216
:Changes in operating assets and liabilities		
Term deposits	5,000	(5,000)
Mortgage loan accounts	(33,361)	(16,799)
Other assets	(943)	(94)
Customers' deposits	17,614	(4,928)
Other liabilities	1,387	422
Net cash from / (used in) operating activities	1,192	(15,183)
Investing activities		
Purchase of property and equipment	(407)	(252)
Net cash used in investing activities	(407)	(252)
Financing activities		
Loan from the Government	5,000	19,000
Dividend paid	(2,400)	(2,400)
Net cash from financing activities	2,600	16,600
Net change in cash and cash equivalents	3,385	1,165
Cash and cash equivalents at the beginning of the year	1,468	303
(Cash and cash equivalents at the end of the year (note 23	4,853	1,468

The notes on pages 6 to 30 form an integral part of these financial statements.

Report of the Auditors - page 1

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% (2011: 6%) of the paid-up share capital should be paid to the shareholders.

2- 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 3.

(a) Standards and amendments effective in 2012 and relevant for the bank's operations:

For the year ended 31 December 2012, the bank has adopted all of 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 periods beginning on 1 January 2012.

The adoption of those standards and interpretations has not resulted in changes to the bank's accounting policies and has not affected the amounts reported for the current period.

2- Summary of significant accounting policies (continued)

2.1 Basis of Preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the bank:

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the bank's accounting periods beginning on or after 1 January 2013 or later periods, but the bank has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 31 December 2012:

IFRS 9, 'Financial instruments part 1: Classification and measurement', (effective on or after 1 January 2015); IFRS 13, 'Fair value measurement' (effective on or after 1 January 2013).

2.2 Revenue recognition

2.2.1 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.

2.2.2 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.

2.2.3 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.

2.2.4 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.

2.3 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.

2- Summary of significant accounting policies (continued)

2.4 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
Furniture and fixtures and equipments	5 - 10
Other equipments	5
Motor vehicles	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.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.5 Financial assets and liabilities

2.5.1 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 (notes 2.3 and 2.13).

2.5.2 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.

2- Summary of significant accounting policies (continued)

2.5 Financial assets and liabilities (continued)

2.5.3 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.

2.5.4 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.

2.5.5 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.

2.5.6 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.

2.6 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.

2- Summary of significant accounting policies (continued)

2.6 Impairment of financial assets (continued)

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.

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.

2.7 Borrowings

Government loans are recognised initially at cost less attributable transaction costs. Subsequent to initia l 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.

2.8 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.

2.9 Directors' remuneration

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

2 Summary of significant accounting policies (continued)

2.10 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 72/91.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 Government grants

Freehold land granted by the Government of Sultanate of Oman, being capital contribution in nature, is recognised in the financial statements at the fair value determined by an internal valuer in the Engineering department of the bank and shown as a 'Capital grant' in the statement of financial position.

3 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.

3 Critical accounting estimates and judgments (continued)

a)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.

b) 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.

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 value 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 9) 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.

4- Term deposits

	2012 RO,000	2011 RO,000
Term deposits	1,000	6,000

This represents deposit with National Bank of Oman SAOG (2011 - 3 deposits with various banks) having maturity due on 29 April 2014 and carries interest at the rate of 2.5 % (2011 - 1.00% - 3.75%) per annum.

5- Mortgage loan accounts

	2012 RO,000	2011 RO,000
Gross mortgage loan accounts as at 1 January	220,837	204,192
Loans distributed during the year	54,957	37,037
Principal repayments during the year	(21,652)	(20,392)
Gross mortgage loan accounts as at 31 December	254,142	220,837
(Provision for impairment of loans (refer 'a' below	(6,069)	(5,015)
(Reserved banking and administrative service fees (refer 'b' below	(238)	(257)
Net mortgage loan accounts as at 31 December	247,835	215,565

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

	2012 RO'000	2011 RO'000
At 1 January	5,015	3,562
Provision for impairment of loans – Specific	673	301
Provision for impairment of loans – General	645	1,679
Reversal of provision for impairment of loans - Specific	(230)	(479)
Written off during the year	(34)	(48)
At 31 December	6,069	5,015

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

	2012 RO,000	2011 RO,000
At 1 January	257	330
Reserved banking and administrative service fees during the year	101	90
Reversed during the year	(75)	(89)
Written off during the year	(45)	(74)
At 31 December	238	257

Banking and administrative service fees 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.

c) At 31 December 2012 the specific allowance for loan impairment and the reserved banking and administrative service fees represents 35.5% (2011 - 36.70%) of gross non-performing mortgage accounts. Also, the bank maintains 2% (2011 - 2%) collective provision for impairment for the performing loans amounting to RO 5,010,000 (2011 - RO 4,365,000).

d) The banking and administrative service fees rates varied from 1% to 8% (2011 - 1% to 9%) per annum in addition to the contribution received from the Government of the Sultanate of Oman.

5- Mortgage loan accounts (continued)

e) Summary of mortgage loan accounts is as follows:

	2012 RO,000	2011 RO,000
Performing accounts	250,227	218,162
Past due but not impaired	262	203
Non-performing mortgage loans	3,653	2,472
Total mortgage loans	254,142	220,837
Provision for impairment of loans	(6,069)	(5,015)
Reserved banking and administrative service fees	(238)	(257)
Net mortgage loan accounts as at 31 December	247,835	215,565

Past due but not impaired	2012 RO'000	2011 RO'000
(Past due (60 - 89 days	262	203

Non-performing loans	2012 RO'000	2011 RO'000
(Substandard (Past due 90 - 179 days	1,465	533
(Doubtful (Past due 180 - 364 days	783	691
(Loss (Past due 365 days and over	1,405	1,248
Total	3,653	2,472
Fair value of collateral	8,613	6,064

6- 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/valuation						
At 1 January 2012	2,267	1,150	774	219	282	4,692
Additions	72	46	34	-	255	407
Disposals	-	(41)	(56)	-	-	(97)
Revaluation	614	-	-	-	-	614
Transfer	274	-	-	-	(274)	-
At 31 December 2012	3,227	1,155	752	219	263	5,616
Depreciation						
At 1 January 2012	1,520	1,054	690	200	-	3,464
Charge for the year	32	26	37	10	-	105
Disposals	-	(41)	(56)	-	-	(97)
At 31 December 2012	1,552	1,039	671	210	-	3,472
Net book value						
At 31 December 2012	1,675	116	81	9	263	2,144

Land and buildings includes lands granted by the Government of Sultanate of Oman. The market value of such lands at 31 December 2012 is RO 1,088,762 (2011 - RO 474,700). The bank revalues its lands on a regular basis.

6 Property and equipment (continued)

31 December 2011

	Land and buildings	Furniture, fixtures and equipment	Other equipment	Motor vehicles	Capital--work in-progress	Total
	RO,000	RO,000	RO,000	RO,000	RO,000	RO'000
Cost/valuation						
At 1 January 2011	2,267	1,144	747	219	86	4,463
Additions	-	15	41	-	196	252
Disposals	-	(9)	(14)	-	-	(23)
At 31 December 2011	2,267	1,150	774	219	282	4,692
Depreciation						
At 1 January 2011	1,452	1,037	665	185	-	3,339
Charge for the year	68	26	39	15	-	148
Disposals	-	(9)	(14)	-	-	(23)
At 31 December 2011	1,520	1,054	690	200	-	3,464
Net book value						
At 31 December 2011	747	96	84	19	282	1,228

7- Other assets

	2012 RO,000	2011 RO,000
Other receivables	1,457	641
Staff personal loans	13	123
Prepayments and others	258	99
	1,728	863
Provision for staff personal loans	(3)	(56)
Interest reserve - staff personal loans	(10)	(35)
	1,715	772

8- Customers' deposits

	2012 RO,000	2011 RO,000
Saving accounts	6,170	3,564
Term deposits	20,602	5,594
	26,772	9,158

Interest rates on savings accounts varied between 1% to 2% (2011 - 1% to 2%) per annum. Interest rates on term deposits varied between 0.32% to 1.8% (2011 - 1% to 2%) per annum.

9- Loans from the Government

	2012 RO,000	2011 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	24,000	19,000
Subordinated loan	20,000	20,000
	96,830	91,830

a) 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% (2011 - 5% and 3%) per annum respectively.

b) Loan 3 from the Government of the Sultanate of Oman is denominated in Rial Omani and carries inter est rate of 3% (2011 - 3%) per annum.

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

d) Loan 4 from the Government of Sultanate of Oman is denominated in Rial Omani and carries interest rate of 3% (2011 – 3%) per annum. During 2011, the Government approved a loan of RO 31,000,000 to the bank of which RO 24,000,000 has been disbursed as at 31 December 2012 and the balance will be disbursed in 2013. The loan is repayable in full after two years of drawdown of entire loan amount.

e) 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.

10- Other liabilities

	2012 RO,000	2011 RO,000
Retention payable to contractors	2,794	2,271
Accrued interest	1,853	1,737
Customers' insurance payable	755	742
Sale proceeds for financing new residences and personal stakes	793	563
(End of service benefits (refer 'a' below	160	123
Other payables	1,682	1,214
	8,037	6,650

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

	2012 RO,000	2011 RO,000
At 1 January	123	118
Expense recognised in the statement of comprehensive income	37	19
Cash paid to employees	-	(14)
At 31 December	160	123

11- Share capital

The share capital of the bank is divided into 30,000,000 (2011 - 30,000,000) fully paid shares of RO 1 each. The shareholding pattern is as follows:

	2012	2011
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%

12- 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 until the accumulated balance of the reserve equals at least one half of the bank's paid up share capital. The legal reserve is not available for distribution.

13- Special reserve

In accordance with the Articles of Association of the bank, after appropriation of legal reserve, an amount as determined by the Board of Directors, subject to 20% (2011 - 50%) of the profit after appropriation of legal reserve, as stipulated in Articles of Association is transferred to special reserve.

14- Capital grant

Capital grant represents the fair values of the lands granted free of cost by the Government of the Sultanate of Oman at the time of initial recognition. There is no movement in capital grant during the year.

The Government of the Sultanate of Oman granted two lands at Khasab and Rustaq in 2010 which were valued by an internal valuer in the engineering department of the bank on 5 September 2010 and 9 November 2010, respectively. Moreover, during the year, revaluation of two lands at Muscat and Salalah was carried by an internal valuer in the engineering department of the bank.

15- Revaluation reserve

This reserve represents the fair value gain arising from revaluation of lands by internal valuers of the bank. The movement in the revaluation reserve is as under:

	2012 RO,000	2011 RO,000
At 1 January	125	125
Revaluation surplus during the year	614	-
At 31 December	739	125

The revaluation reserve is not available for distribution.

16- Proposed dividend

The board of directors of the bank proposed no dividend (2011 - 8% of the share capital) for the year 2012.

17- Interest income

	2012 RO,000	2011 RO,000
Banking and administrative service fee	9,126	12,115
(Government contribution to administrative fee (refer 'a' below	10,484	6,251
Interest on short-term deposits	71	62
	19,681	18,428

a) In accordance with Article 6 of the Royal Decree No. 51/77, 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, up to a maximum limit of RO 8,000,000 (2011 - RO 7,000,000).

During the year, the Government issued a directive on 14 August 2012 to exempt the banking and administrative service fee on the subsidised loan balances. For the new loans disbursed after 14 August 2012, the borrowers shall pay interest up to 4% and the differential will be borne by the Government.

18- Interest expense

	2012 RO,000	2011 RO,000
(Interest on loans from the Government (note 9	2,973	2,519
Interest on customers' deposits	160	184
Interest on staff housing loans	86	101
	3,219	2,804

19- Other income

	2012	2011
Fees and commissions	994	945
Rental income	-	28
Miscellaneous income	17	39
	1,011	1,012

20- General and administrative expenses

	2012	2011
	RO,000	RO,000
Staff expenses	5,091	4,559
Training expenses	125	132
Professional fees	83	127
Communication costs	76	99
Board of Directors' remuneration - proposed	84	84
Utilities and rent	108	85
Maintenance	120	101
Board of Directors' meeting expenses and sitting fees	24	35
Legal expenses	34	29
Travelling expenses	27	24
Marketing expense	47	34
Miscellaneous expenses	159	111
	5,978	5,420

21- 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.

	2012	2011
(Net profit for the year (RO'000	10,299	9,534
(Weighted average number of shares outstanding (shares'000	30,000	30,000
(Earnings per share - basic and diluted (RO	0.343	0.317

22- Mortgage loan commitments

	2012	2011
	RO,000	RO,000
Mortgage loan accounts - approved but not disbursed	24,811	25,165

23- Cash and cash equivalents

	2012	2011
	RO,000	RO,000
Cash and balances with banks	4,853	1,468
(Term deposits (note 4	1,000	6,000
	5,853	7,468
Less: Term deposits with a maturity of more than 3 months from the date of placement	(1,000)	(6,000)
Cash and cash equivalents	4,853	1,468

24- 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.

a) Transactions included in statement of comprehensive income are as follows:

	2012 RO,000	2011 RO,000
Government		
(Government contribution to administrative fee (note 17	10,484	6,251
(Interest on loans from the Government (note 18	(2,973)	(2,519)
Directors		
Banking and administrative fees	(2)	(2)
Board of Directors' meeting expenses and sitting fees ((note 20	(24)	(35)
(Board of Directors' remuneration - proposed (note 20	(84)	(84)
Key management		
Banking and administrative fees	(42)	(60)

b) Amount due (to)/from related parties

	2012 RO,000	2011 RO,000
Government		
(Loans from the Government (note 9	(96,830)	(91,830)
Interest accrued on loans from the Government	(1,808)	(1,673)
Receivable against Government contribution to administrative fee	1,440	554
Directors		
Mortgage loan accounts	31	33
Key management		
Mortgage loan accounts	647	761

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

c) Compensation of the key management personnel is as follows:

	2012 RO,000	2011 RO,000
Salaries and allowances	624	576
Other benefits	127	119
	751	695

25- 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 11 to 15.

Gearing ratio

The bank's Risk Management Committee ('the 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:

	2012 RO,000	2011 RO,000
Debt	123,602	100,988
Equity	125,908	117,395
Debt to equity ratio	98.17%	86.02%

- Debt includes loan from Government 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:

	2012 RO,000	2011 RO,000
Capital base		
Tier 1	124,819	114,520
Tier 2	2,003	2,045
Total capital base	126,822	116,565
Risk weighted assets		
Credit risk - On balance sheet items	119,873	129,653
Credit risk - Off balance sheet items	9,360	5,033
Operational risk	31,000	28,875
Total risk weighted assets	160,233	163,561
Capital adequacy ratio	79.15%	71.27%

26- Risk management policies

Risk Management is the process by which the bank identifies key risks, obtains consistent, understandable risk measures and chooses which risks to reduce 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.

a) 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 (a).

b) -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.

26 -Risk management policies (continued)

b) Credit risk (continued)

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;

- 98.50% (2011 - 98.88%) of the loans and advances portfolio are considered to be neither past due nor impaired;

- Impaired loan assessed on an individual basis amounted to RO 3,653,000 (2011 - RO 2,472,000) which is 1.50% (2011 - 1.12%) of total gross mortgaged loans.

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:

	2012		2011	
	RO,000	%	RO,000	%
Balances with banks	4,708	1.68	1,322	0.53
Term deposits	1,000	0.36	6,000	2.41
Mortgage loan accounts	247,835	88.49	215,565	86.64
Other assets	1,715	0.61	772	0.31
Mortgage loan commitments	24,811	8,86	25,165	10.11
	280,069	100.00	248,824	100.00

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

26 -Risk management policies (continued)

c) 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 27 (b).

27- Financial risk management

a) 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 2012:

	Interest rate	Up to 1 month	3 - 1 mnths	6 - 3 months	9 - 6 months	12 - 9 months	3 - 1 years	5 - 3 years	More than 5 years	Non sensi-tive	Total
	%			RO,000	RO,000		RO,000	RO,000	RO,000		RO,000
Assets											
Cash and balances with banks		-	-	-	-	-	-	-	-	4,853	4,853
Term deposits	2.5	-	-	-	-	-	1,000	-	-	-	1,000
Mortgage loan accounts	1-9	3,145	6,547	9,240	9,183	8,909	32,517	31,175			
Property and equipment		-	-	-	-	-	-	-	-	2,144	2,144
Other assets		-	-	-	-	-	-	-	-	1,715	1,715
Total assets		3,145	6,547	9,240	9,183	8,909	33,517	31,175		8,712	
Liabilities and equity											
Customers' deposits	0.32-1.8	5,208	1,308	2,824	4,608	8,189	1,543	1,543	1,549	-	26,772
Loans from the Government	5 - 3	-	-	-	-	-	52,830	24,000	-	20,000	96,830
Other liabilities		-	-	-	-	-	-	-	-	8,037	8,037
Shareholders' equity		-	-	-	-	-	-	-	-		
Total liabilities and equity		5,208	1,308	2,824	4,608	8,189	54,373	25,543	1,549		
Interest rate sensitivity gap			5,239	6,416	4,575	720		5,632			
Cumulative gap			3,176	9,592	14,167	14,887	(5,969)	(337)			

27- Financial risk management (continued)

a) Interest rate risk (continued)

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 2011:

	Interest rate	Up to 1 month	3 - 1 months	6 - 3 months	9 - 6 months	12 - 9 months	3 - 1 years	5 - 3 years	More than 5 years	Non sensi-tive	Total
	%		RO,000	RO,000	RO,000	RO,000	RO,000	RO,000	RO,000		RO,000
Assets											
Cash and balances with banks		-	-	-	-	-	-	-	-	1,468	1,468
Term deposits	3.75 - 1	-	-	1,000	2,000	3,000	-	-	-	-	6,000
Mortgage loan accounts	9 - 1	2,189	4,368	6,493	6,486	6,835	49,143	44,008	96,043	-	
Property and equipment		-	-	-	-	-	-	-	-	1,228	1,228
Other assets		-	-	-	-	-	-	-	-	772	772
Total assets		2,189	4,368	7,493	8,486	9,835	49,143	44,008	96,043	3,468	
Liabilities and equity											
Customers' deposits	2 - 1	1,178	2,187	179	178	2,759	891	891	895	-	9,158
Loans from the Government	5 - 3	-	-	-	-	-	52,830	19,000	-	20,000	91,830
Other liabilities		-	-	-	-	-	-	-	-	6,650	6,650
Shareholders' equity		-	-	-	-	-	-	-	-		
Total liabilities and equity		1,178	2,187	179	178	2,759	53,721	19,891	895		
Interest rate sensitivity gap		1,011	2,181	7,314	8,308	7,076	(4,578)	24,117	95,148		
Cumulative gap		1,011	3,192	10,506	18.814	25,890	21,312	45,429	140,577	-	

27- Financial risk management (continued)

b) Liquidity risk

The amounts disclosed in table below analyse the bank’s financial assets and financial liabilities as on 31 December 2012 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	3 - 1 months RO,000	6 - 3 months RO,000	9 - 6 months RO,000	12 - 9 months RO,000	3 - 1 years RO,000	5 - 3 years RO,000	More than years 5 RO,000	Total RO,000
Assets									
Cash and balances with banks	4,853	-	-	-	-	-	-	-	4,853
Term deposits	-	-	-	-	-	1,000	-	-	1,000
Mortgage loan accounts	3,145	6,547	9,240	9,183	8,909	32,517	31,175	147,119	
Property and equipment	20	37	19	-	187	-	-	1,881	2,144
Other assets	1,440	24	234	-	-	17	-	-	1,715
Total assets	9,458	6,608	9,493	9,183	9,096	33,534	31,175	149,000	
Liabilities and equity									
Customers’ deposits	5,208	1,308	2,824	4,608	8,189	1,543	1,543	1,549	26,772
Loans from the Government	-	-	-	-	-	52,830	24,000	20,000	96,830
Other liabilities	1,138	1,031	240	1,855	3,579	-	-	194	8,037
Shareholders’ equity	-	-	-	-	-	-	-	125,908	
Total liabilities and equity	6,346	2,339	3,064	6,463	11,768	54,373	25,543	147,651	
Net liquidity gap	3,112	4,269	6,429	2,720	(2,672)	(20,839)	5,632	1,349	
Cumulative liquidity gap	3,112	7,381	13,810	16,530	13,858	(6,981)	(1,349)	-	
Liabilities off balance sheet									
Mortgage loan commitments	2,255	1,909	1,852	2,033	2,103	8,049	6,610	-	24,811
Total equity and liabilities (including off balance sheet)	8,601	4,248	4,916	8,496	13,871	62,422	32,153		
Gap in maturity	857	2,360	4,577	687	(4,775)	(28,888)	(978)	1,349	(24,811)
Cumulative gap in maturity including off-balance sheet items	857	3,217	7,794	8,481	3,706	(25,182)			

27- Financial risk management (continued)

b) Liquidity risk (continued)

The amounts disclosed in table below analyse the bank's financial assets and financial liabilities and as on 31 December 2011 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	3 - 1 Months	6 - 3 months	9 - 6 months	12 - 9 months	3 - 1 years	5 - 3 years	More than years 5	Total
	RO,000	RO,000	RO,000	RO,000	RO,000	RO,000	RO,000	RO,000	RO,000
Assets									
Cash and balances with banks	1,468	-	-	-	-	-	-	-	1,468
Term deposits	-	-	1,000	2,000	3,000	-	-	-	6,000
Mortgage loan accounts	2,189	4,368	6,493	6,486	6,835	49,143	44,008	96,043	215,565
Property and equipment	-	-	-	-	-	-	-	1,228	1,228
Other assets	554	-	95	85	6	-	-	32	772
Total assets	4,211	4,368	7,588	8,571	9,841	49,143	44,008	97,303	225,033
Liabilities and equity									
Customers' deposits	1,178	2187	179	178	2,759	891	891	895	9,158
Loans from the Government	-	-	-	-	-	52,830	19,000	20,000	91,830
Other liabilities	820	2,613	219	36	2,802	-	-	160	6,650
Shareholders' equity	-	-	2,400	-	-	-	-	114,995	117,395
Total liabilities and equity	1,998	4,800	2,798	214	5,561	53,721	19,891	136,050	225,033
Net liquidity gap	2,213	(432)	4,790	8,357	4,280	(4,578)	24,117	(38,747)	
Cumulative liquidity gap	2,213	1,781	6,571	14,928	19,208	14,630	38,747	-	
Liabilities off balance sheet									
Mortgage loan commitments	264	529	786	778	768	5,435	4,439	12,166	25,165
Total equity and liabilities (including off balance sheet)	2,262	5,329	3,584	992	6,329	59,156	24,330	148,216	250,198
Gap in maturity	1,949	(961)	4,004	7,579	3,512	(10,013)	19,678	(50,913)	(25,165)
Cumulative gap in maturity including off-balance sheet items	1,949	988	4,992	12,571	16,083	6,070	25,748	(25,165)	

28- 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.

29- Taxation

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

Report of the Auditors - page 1

بنك الإسكان العماني

OMAN HOUSING BANK

Pioneering integrated housing

Achieving your family dream