بنك الإسكان العماني
OMAN HOUSING BANK

2024

Building Tomorrow:

OHB'S JOURNEY OF TRANSFORMATION

Annual Report

بنك الإسكان العماني

OMAN HOUSING BANK

OHB_OM OMANHOUSINGBANK

Our full gratitude and appreciation for every hand that participates in building Oman

His Majesty Sultan Haitham bin Tariq
23rd February, 2020

HIS MAJESTY SULTAN HAITHAM BIN TARIQ

CONTENT

VISION

Pioneering integrated housing

MISSION

Oman housing bank seeks to be a pioneer in housing and construction process of the country and contribute to the economic progress and development in the sultanate of oman, by rendering distinguished service to its customers, especially to the low and medium-income group of omani citizens, also thereby achieving the objectives of the shareholders and contributing to the development of human capital through an efficient banking and attractive and motivated work environment.

Board of Directors

Salaam Said Al Shaqsi
Chairperson

Humaid Fadhil Al Quraini
Vice Chairperson

Naser Ali Al Amri
Board Member

Thuraiya Ahmed Al Balushi
Board Member

Amal Majid Al Hilali
Board Member

Suliman Zahran Al Hinai
Board Member

Yousuf Mohammed Al Hooti
Board Member

BOARD OF DIRECTORS REPORT 2024

BANK BOARD OF DIRECTORS' REPORT FOR 2024

Dear Shareholders,

I would like to begin by extending my deepest appreciation for your unwavering support of Oman Housing Bank. On behalf of the Board of Directors and myself, I am privileged to present the Board's annual report, detailing the Bank's operational performance, key achievements, and financial statements for the year ended December 31, 2024.

ECONOMIC OUTLOOK

The Sultanate of Oman has been able to effectively address the challenges posed by the global economic environment, achieving a financial surplus despite the decline in oil prices. This performance reflects the success of the Sultanate's economic diversification strategy, which is based on sustainable investments in priority sectors, in line with the objectives of Oman Vision 2040. Prudent fiscal policies have contributed to reducing the public debt-to-GDP ratio to 34%, along with a 5.3% decrease in total public debt. These achievements have been recognized by international credit rating agencies. S&P upgraded the Sultanate's rating to BBB - (investment grade), while Fitch and Moody's improved their outlook for the Sultanate's economy, reflecting growing confidence in the strength of the country's public finances. The successful initial public offerings of OQEP and OQBI also confirmed the government's strategic approach to asset management and strengthening financial markets.

The 2025 State Budget builds on these solid foundations, continuing to implement fiscal discipline with a focus on stimulating economic growth through targeted investments in education, health, and infrastructure, along with strengthening social safety nets. The budget estimates a financial deficit of OMR 620 million, reflecting the government's commitment to balanced financial planning. OMR 900 million has also been allocated to development projects and programs within the budgets of civil ministries and government units, including OMR 44 million to support governorate development programs and OMR 50 million to finance initiatives aimed at enhancing employment opportunities in the private sector. Furthermore, the increased focus on public-private partnership programs in the education, health, communications, and information technology sectors reflects a strategic approach to promoting sustainable growth, increasing the efficiency of public spending, and empowering the national workforce. The government has also paid great attention to the housing and urban planning sector by completing the first phase of Sultan Haitham City, granting housing assistance to (1,200) eligible cases, and allocating an amount of OMR 73 million to support the interest on development and housing loans within the approved budget for 2025.

LENDING ACTIVITY

During the year, thanks to the continued government support, the bank was able to continue providing subsidized loans to citizens, as follows:

The number of approved loans reached (3,250) loans, with a value of OMR 145.10 million by the end of 2024. The bank also sought to extend its services to various governorates of the Sultanate, especially areas outside Muscat Governorate. The number of loans granted to citizens in governorates outside Muscat Governorate reached (2,413) loans, with a total value of OMR 107 million, representing (74%) of the total lending activity.

The table below shows the distribution of loans granted to citizens by the bank's branches across the various governorates and regions of the Sultanate during the years 2023-2024:

Branches	Approved Loans With a subsidized during the year 2023				Approved Loans With a subsidized during the year 2024			
	Number	%	Amounts (OMR)	%	**Number**	**%**	**Amounts (OMR)**	**%**
Head Office	690	25%	31,201,500	26%	**837**	**26%**	**38,326,100**	**26%**
Salalah	105	4%	4,755,400	4%	**112**	**3%**	**5,580,300**	**4%**
Sohar	381	14%	15,991,500	13%	**436**	**13%**	**19,004,556**	**13%**
Sur	156	6%	6,789,400	6%	**180**	**6%**	**8,248,400**	**6%**
Nizwa	362	13%	16,276,800	14%	**423**	**13%**	**19,380,300**	**13%**
Khasab	42	2%	1,874,900	2%	**72**	**2%**	**3,141,300**	**2%**
Buraimi	203	7%	9,011,000	8%	**245**	**8%**	**11,284,738**	**8%**
Rustaq	712	26%	29,339,100	24%	**813**	**25%**	**34,583,100**	**24%**
Ibra	111	4%	4,760,400	4%	**132**	**4%**	**5,550,700**	**4%**
Total	2,762	100%	120,000,000	100%	**3,250**	**100%**	**145,099,494**	**100%**

The total number of subsidized loans provided by the bank to citizens since its establishment in 1977 until the end of 2024 across the bank's branches spread across the Sultanate's various governorates and states amounted to 69,028 loans, with a total value exceeding OMR 1.8 billion. These loans included 28,088 loans to Muscat Governorate, with a total value of OMR 614.8 billion, representing 41% of the total number of loans granted.

The number of subsidized loans granted to citizens in areas outside Muscat Governorate amounted to 40,940 loans, with a total value of OMR 1.2 billion, representing 59% of the total number of loans granted and 66% of their value As shown in the following table:

Branches	Approved subsidized loans since each branch's establishment until December 31, 2024.			
	Number	Percentage%	Amounts of OMR	Percentage%
Main branch	28088	41%	614,803,352	34%
Salalah	7621	11%	151,062,351	8%
Sohar	6788	10%	190,700,142	11%
Sur	4301	6%	115,218,598	6%
Nizwa	6814	10%	220,236,252	12%
Khasab	1060	%2	32,705,900	2%
Al Buraimi	2633	4%	93,557,643	5%
Rustaq	8790	13%	307,694,200	17%
Ibra	2933	4%	88,588,700	5%
Total	69028	100%	1,822,943,132	100%

ISKAN PROGRAM

Since the launch of the Iskan Program in January 2024, with the aim of tackling the challenges of waiting lists, the program has achieved tangible success by providing a digital experience for customers to process their applications through participating banks. The total value of loans approved by December 31, 2024, amounted to OMR 50.5 million, enabling 1,130 Omani families to obtain suitable housing. The digital experience offered by the bank through the “Iskan Platform” is witnessing positive customer response. Registration on the platform has reached 48% of the total waiting lists referred to the program, with a significant increase of 44% by the third quarter of 2024. The bank is continuously developing this platform to improve and expand the services provided to its valued customers.

The success of this program in its first year would not have been possible without the support of the esteemed Ministry of Finance and the concerted and collaborative efforts between the bank and the participating banks. The number of participating banks by the end of 2024 reached 6 conventional and Islamic banks (National Bank of Oman - Muzn Islamic Window - Alizz Islamic Bank - Bank Nizwa - Ahli Bank - Ahli Islamic Bank). In addition, at the beginning of 2025, a contract was signed with Bank Sohar International to join the program.

FINANCIAL RESULTS

With regard to financial results, and by reviewing the balance sheet figures for the fiscal year ending 12/31/2024, it is clear that the bank has achieved positive results, recording good growth rates in most financial indicators. The bank’s total assets increased at the end of 2024 to reach OMR 896.8 million, compared to OMR 791.6 million at the end of 2023, i.e. an increase of 13%. The growth in assets was mainly based on the increase in the housing loan portfolio, as the total loan portfolio increased on December 31, 2024 to reach OMR 858.5 million compared to OMR 772.7 million at the end of 2023, i.e. a growth rate of 11%.

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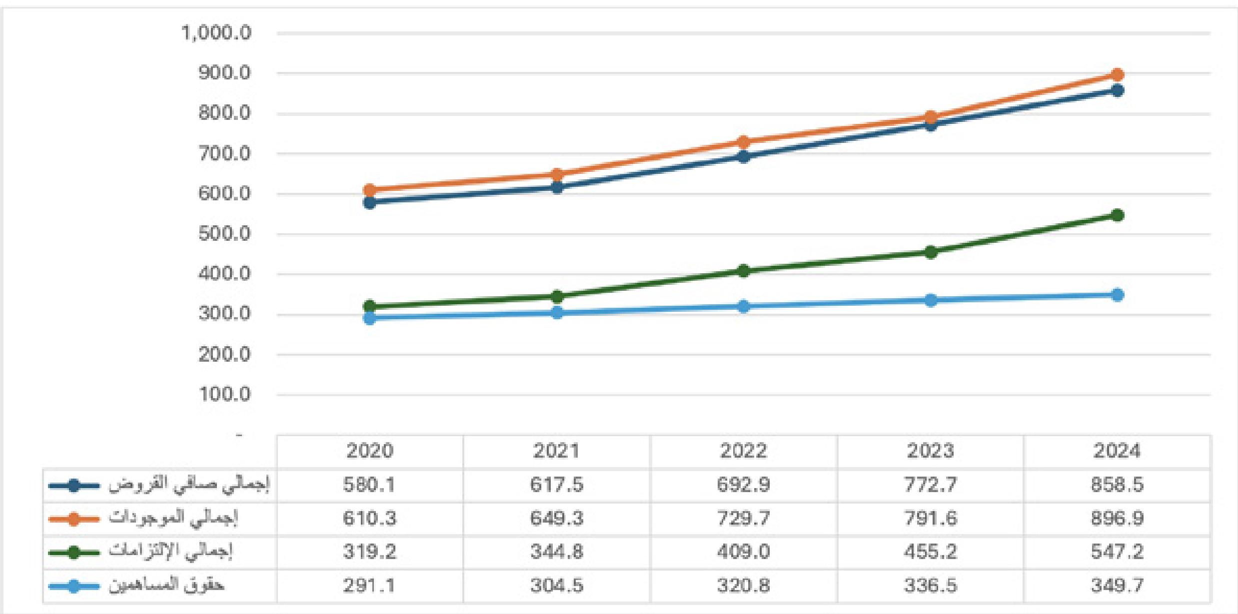
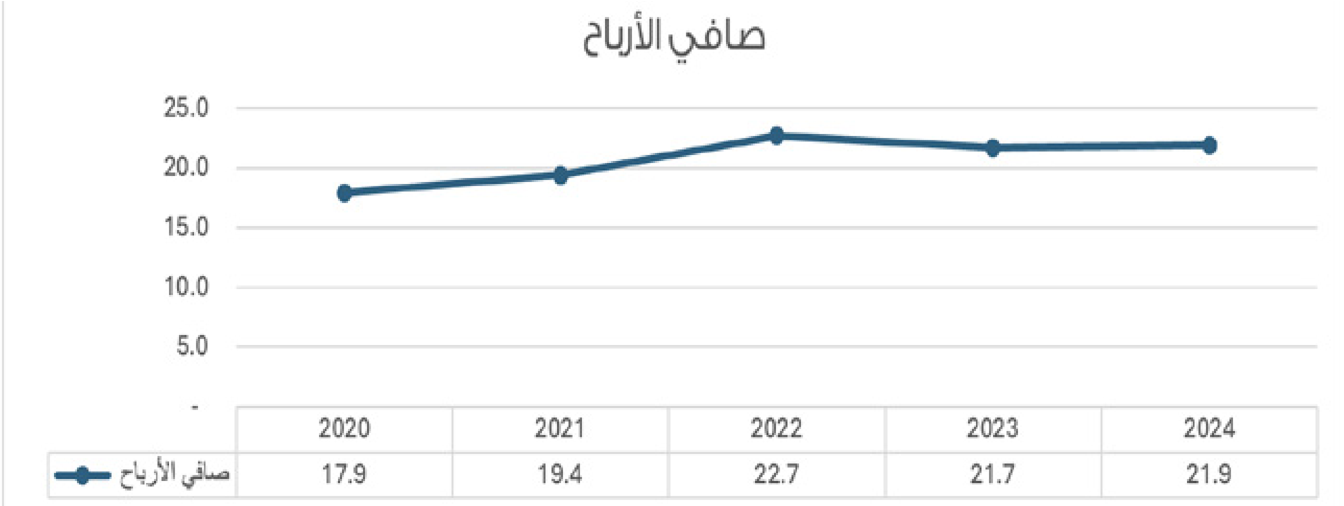


(Chart No. 1) The most important financial indicators over the past five years from 2020 to 2024.

The bank achieved net profits amounting to OMR 21.9 million, which increased by (1%) over the profits of 2023, which amounted to OMR 21.7 million.



The bank is focused on growing its assets while maintaining their quality and durability, strengthening the bank's financial position and enabling it to achieve its objectives with the required effectiveness. The Board of Directors proposes the distribution of the net profit for the year 2024 to the shareholders as follows:

Net Profits for the Year 2024:

Net profit distributions:	
Transfer an amount to the statutory reserve	**OMR 763,000**
Transfer an amount to the special reserve	**OMR 4.2 Million**
Transfer an amount to the impairment allowance	**OMR 620,000**
Distribution of cash dividends to shareholders (at a rate of 40% of the net profit)	**OMR 8.764 Million**
Transfer an amount to retained earnings	**OMR 7.6 Million**
Total Net Profit for the year	**OMR 21.9 Million**

HUMAN CAPITAL

Based on the bank's vision to empower its employees, 88 training programs were implemented for employees, contributing to the development of their professional skills and enhancing their capabilities in various disciplines. The bank also supported 45 employees in obtaining nine accredited professional certificates, contributing to raising the level of professional qualifications of human resources and enhancing their competitiveness in the banking sector.

As part of promoting a culture of continuous learning and developing human capital, Oman Housing Bank launched the LinkedIn Learning platform, which provides employees with access to more than 23,000 online training courses. This initiative aims to enable employees to self-learn according to their professional needs, contributing to raising performance and enhancing institutional efficiency. Oman Housing Bank is the first bank in the Sultanate of Oman to provide the LinkedIn Learning platform to all its employees, reflecting its commitment to implementing the latest innovative educational solutions and investing in human capital.

Finally, the bank's Board of Directors extends its sincere thanks and gratitude to the wise government for its continued support to the bank, enabling it to continue providing its services to citizens and achieving the goals and objectives for which it was established.

The Board also extends its sincere thanks to the esteemed shareholders, the Oman Investment Authority, the Central Bank of Oman, and all ministries and government institutions for their fruitful cooperation with the Bank in fulfilling its duties and mission. We also extend our thanks to the Bank's employees for their dedication, loyalty, and efforts to serve and advance this institution.

May God grant all of us continued success in serving our beloved Oman under the wise leadership of His Majesty Sultan Haitham bin Tariq Al Said (may God protect and preserve him). We pray to God Almighty to grant His Majesty good health, well-being, and a long life, and to bless the Omani people with goodness and prosperity.

Salaam Said Salim Al Shaqsi
Chairman


MANAGEMENT
DISCUSSION
ANALYSIS 2024

Retail:

The Business Department has continued to deliver outstanding progress in 2025, further solidifying its role in advancing the bank's strategic goals. Guided by our commitment to customer-centric banking, we have prioritized enhancing products and services while leveraging technology to meet the evolving needs of our diverse customer base.

This year, we achieved significant milestones in deposit portfolio growth, with a remarkable OMR 86 million increase. Savings accounts saw a steady 20% rise, while call accounts surged by an extraordinary 254%. Individual term deposits grew by 135%, and corporate term deposits increased by 522%, reflecting heightened engagement from diverse client segments. These achievements have diversified the deposit base, significantly reducing reliance on government deposits and creating a more balanced portfolio.

In lending, we disbursed OMR 122.5 million and achieved an 11% net growth in the loan book. Notably, non-performing loans (NPLs) were reduced by 38%, reflecting enhanced portfolio quality. Our efficiency in processing 3,491 applications further underscores our operational excellence. The Iskan Program made transformative strides, expediting waiting lists spanning over a decade and enabling more than 40,000 citizens to embark on their housing journeys, with over OMR 40 million in approvals.

Digital transformation was a key focus, highlighted by the successful launch of the call center, which handled approximately 100,000 calls while driving targeted campaigns. The rollout of a Queue Management System (Quematic) has streamlined branch operations, and the chatbot pilot marks a step forward in enhancing digital customer engagement, with future integrations planned for WhatsApp.

In addition to these achievements, the Business Department proudly onboarded new banks for both the Iskan and Bridge Financing Programs, expanded our presence with two branch relocations, and launched the Integrated Cities Program by onboarding developers and expediting applications. These efforts underscore our commitment to innovation, collaboration, and customer satisfaction.

As we look to 2026, the Business Department remains steadfast in its dedication to fostering financial inclusion, driving innovation, and enhancing the banking experience for all our customers.

Treasury and Financial Institutions Department

The Treasury and Financial Institutions (T&FI) department plays a critical role in the bank's financial sustainability, ensuring the efficient management of liquidity and optimizing funding strategies. Operating under the guidance of the Asset Liability Committee (ALCO), the department strives to balance cost optimization with balance sheet growth, while maintaining compliance with regulatory requirements.

In 2024, the Treasury & FI department navigated a challenging landscape successfully. Through a proactive approach to funding procurement, the department diversified funding sources by leveraging call accounts, term deposits, and bilateral banking arrangements. This strategy yielded significant results, with the cost of funding from term deposits decreasing by more than 10% compared to the beginning of the year.

Customer liability witnessed substantial expansion, with a remarkable year-on-year growth of 85%, increasing from OMR 123 million in December 2023 to OMR 225 million in December 2024. This achievement was driven by onboarding new customers for term deposits, call accounts.

The bank actively participated in the interbank market, executing transactions exceeding OMR 1.2 billion throughout the year. This robust activity established the bank as a significant player in the interbank market. The department also secured approvals for new asset-side products, enabling the bank to maintain stable reserves of high-quality liquid assets and effectively manage excess liquidity.

The FI department continued its efforts to expand its network of banking and financial institution relationships, both domestically and internationally. The team successfully secured new funding and committed lines from overseas counterparts, opening new avenues for funding and onboarding more counterparties than ever before. Enhanced service levels and a strong focus on relationship management fostered stronger counterparty relationships, aligning with the bank's strategic objectives.

The Bank strategically prioritizes sustained emphasis on liquidity management as a core element of its successful operating model.

Strategy & Transformation

Outlook for 2025

As we look ahead to 2025, Oman Housing Bank (OHB) is poised to build on its strong foundation and continue its journey towards excellence. Our strategic focus will be on four key pillars: Sustainability, Customer First, Operational Excellence, and Human Capital.

Sustainability

In 2025, OHB will fortify its offerings to attract a new deposit base, ensuring a stable and diversified funding source. We will strengthen our relationships and introduce new opportunities for partnerships and collaborations, fostering a robust network that supports our growth ambitions. Additionally, we will continue our journey with the Iskan program and integrated cities initiative, enhancing our role in the development of sustainable housing solutions for Omani citizens.

Customer First

Our commitment to putting customers first will see us enhancing our value proposition by offering a complementary suite of products and services tailored to meet their needs. We will renovate our branches to provide an enhanced customer experience and support our brand transformation. Emphasis will be placed on digital solutions to strengthen customer accessibility, ensuring that our services are available anytime, anywhere.

Operational Excellence

Operational excellence will be a cornerstone of our strategy in 2025. We will launch a new Core Banking System, providing an enhanced technological infrastructure to house all our products and services. OGN Connectivity will ensure a seamless flow of data, enhancing process efficiency and ultimately improving customer experience. We will also implement key regulatory projects to stay updated and enhance our overall agility and operational excellence.

Human Capital

Our people are our greatest asset, and in 2025, we will focus on enhancing learning and development through various training sessions, management trainee programs, and SME programs. We will map out a rewards and recognition program to sustain a productive and motivating environment. Additionally, we will work on the creation of technical competencies to ensure our team is equipped with the skills needed to drive our success.

IT:

In 2024, the IT & Digital Department delivered impactful advancements, aligning technology with business objectives and enhancing operational efficiency and security. Key milestones include the successful migration of critical systems to Oracle Cloud Infrastructure (OCI), including CBO and Mala'a MPLS links, which drove improved performance, scalability, and cost savings. Compliance with CBO regulations was achieved through RTGS and IBAN implementation, while robotic process automation (RPA) optimized processes like insurance calculations.

Cloud transformation efforts were bolstered by Microsoft 365 adoption and Oracle Database migration to OCI, improving scalability and collaboration. Security was strengthened with Data Leak Prevention, Advanced Threat Protection, and the deployment of AppGate for secure remote access. On-premises Zabbix implementation enhanced IT infrastructure monitoring, and a robust disaster recovery setup ensured resilience.

Notable innovations include the introduction of Copilot for productivity, integration of WorkVivo with M365, and the launch of the CSS/HC Help Desk. Infrastructure upgrades, such as adding backup lines with AWASR for our branch network redundancy and upgrading firewall firmware, further enhanced performance and cost efficiency.

These initiatives position the bank for sustainable growth, ensuring a secure, resilient, and efficient IT environment while supporting strategic business goals.

HC:

- 2024 has been a milestone year in driving strategic initiatives across recruitment, talent management and engagement. The focus on efficiency, upskilling, and aligning HR practices with organizational needs underscores the commitment to excellence. These achievements provide a strong foundation for continuous growth and innovation in 2025.
- Fostering a Culture of Engagement and Communication we have successfully launched Workvivo, an advanced engagement platform, to enhance internal communication and connectivity among all staff, aligning with our commitment to creating a collaborative workplace. We are the first Omani organization to implement Workvivo.
- We rolled out the Employee Engagement Survey, achieving an impressive 95% response rate and an overall Engagement score of 8 out of 10 significantly exceeding both global and regional averages. This initiative established a baseline for engagement, identified key drivers for improvement, and built a foundation for trust and open communication. The survey outcomes provide critical benchmarks to measure progress in employee sentiment and organizational transformation.
- We introduced a new digitize tool "HR Help Desk", enabling employees to apply on number of HR services seamlessly through an automated tool. This transformation significantly enhanced service efficiency and employee satisfaction.

- We launched Employee Loyalty Program "Fakhar" with Thawani Pay to enhance employee loyalty and well-being, offering staff exclusive discounts and privileges, demonstrating our commitment to rewarding loyalty and improving overall employee experience.
- LinkedIn Learning Platform Launched to Enhance continuous learning culture and upskilling staff through comprehensive programs. Introduced access to all employees to more than 23,000 eLearning courses to promote self-paced, high-impact learning. We are the first Bank in Oman to introduce LinkedIn Learning for all employees.
- **Internal and Professional Development:**
  - OHB completed 88 training courses with 1,386 staff participations.
  - OHB Supported 45 staff in achieving 9 professional certifications, contributing to enhanced skillsets.
- **Internship Program:**
  - Successfully onboarded 91 interns, fostering early career engagement and development.
  - In 2024, the Talent Attraction achieved significant efficiency in shortlisting, effective candidate engagement, and alignment with organizational needs.
- **Interview and Shortlisting Efficiency:**
  - Conducted 165 interviews for 46 vacancies, averaging 3.6 interviews per vacancy, reflecting efficiency in the shortlisting process.
  - Processed 40,273 applications, with a highly selective interview rate of 0.41%, ensuring a focus on quality over volume.
  - Achieved a 78.3% closure rate, successfully filling 36 positions out of 46.
- **Candidate Engagement:**
  - Secured a 75.6% offer acceptance rate, exceeding the global average of 73%, surpassing expectations and demonstrating effective candidate engagement and negotiation strategies.
  - Achieving 97.93% Satisfaction Score on the New Joiners Onboarding survey, which is an exceptional accomplishment
- **Hiring Manager Survey:**
  - Achieving an 89.29% satisfaction rate in Hiring Manager survey is a commendable accomplishment, indicating a high level of contentment with the recruitment process.
- **Organizational Structure Alignment:**
  - HC Finalized all charters aligned with the updated organizational structure.
  - All JDs have been drafted, with a few awaiting sign-off due to updates for the new branch operation model.
  - Revamped the Code of Ethics and Professional Conduct with a comprehensive up to date version, approved by the Board on Sep-24 and will be circulated to all staff by End of December.
  - Conducted 10 Employee Engagement events through "Our Thursday is Different" initiative, and one Annual Staff Gathering, Women's Day celebration and National Day celebration.
  - Remarkably enhanced the Employee Medical Insurance Scheme by introducing a competitive and comprehensive Medical Insurance coverage with OQIC and extending some new benefits to all employees.
  - Launched Engagement Ambassadors Program at which some employees from branch were selected to be the focal point of Communication and Engagement for HC.
  - Launched the Rewards & Recognition Program and recognized the nominated employees.

Audit:

Board Audit Committee

The primary role of the Board Audit Committee is to provide independent oversight on risk management and financial reporting matters, ensuring the bank's risk transformation activities are effectively managed. Throughout the year, the Committee focused on overseeing these critical activities, ensuring that OHB maintained robust risk management capabilities and outcomes. In doing so, the Committee played a key role in supporting and protecting the bank's stakeholders through effective governance and risk management practices.

Roles & Responsibilities:

The Board Audit Committee oversees key audit and risk matters across OHB, including:

- Ensuring the integrity of financial statements and internal controls.
- Overseeing the external auditor's independence, performance, and engagement.
- Monitoring the effectiveness and resourcing of the Internal Audit function.
- Advising the Board on risk appetite, strategy, and emerging risks.
- Evaluating the adequacy of risk management processes and internal controls.

Membership:

Members	Attendance at scheduled Audit Committee meetings
Brigadier General Humaid bin Fadhel bin Suleiman Al-Quraini Chairperson Audit Committee	4/4
Mrs. Amal bint Majid Al Hilali Deputy Chairperson Audit Committee	4/4
Mr. Suliman bin Zahran Al Hinai Audit Committee Member	4/4

Key Activities of the Committee in FY2024

The Board Audit Committee convened four times during FY2024, with each meeting focusing on critical oversight responsibilities.

The Committee reviewed updates from the Compliance and Finance teams. These discussions ensured the Committee maintained robust oversight of the bank's governance, risk management, and operational effectiveness.

Financial reporting

The Board Audit Committee focused on ensuring the accuracy, integrity, and transparency of OHB's financial reporting. Its responsibilities during the year included:

- Assessing the Annual Report and Accounts alongside interim reports, performance updates, and Pillar 3 Disclosures, providing recommendations to the Board.
- Examining how management applied critical accounting policies and approached significant accounting judgements.
- Evaluating the viability statement to ensure it reflected the bank's strategic and financial position.
- Reviewing PwC's findings on financial reporting, including key judgements, disclosures, and the control environment.

These activities ensured robust oversight of the bank's financial reporting processes.

Internal Audit

The primary role of the Internal Audit function is to provide independent, objective assurance and consulting services that are designed to add value and improve the bank's operations. The Internal Audit team has continued to grow and develop its capabilities in terms of competency and skill during the year.

Internal Audit plan

The Internal Audit function at OHB is committed to proactively addressing key risks and strengthening the bank's governance framework. The audit plan for FY2024 reflects a strategic approach, focusing on high risk areas such as financial crime prevention, cybersecurity and IT resilience, treasury management, regulatory compliance, and the overall effectiveness of risk and control systems. By providing independent assurance and actionable insights, the plan aims to enhance the bank's risk management practices, address potential vulnerabilities, and support the delivery of sustainable business outcomes.

Board Audit Committee and Internal Audit

The Board Audit Committee continued to support Internal Audit function through frequent meetings where the Head of Internal Audit provide reports and updates on the progress of the internal audit plans, including internal control issues raised and management's actions to remediate the identified deficiencies, if any.

The Board Audit Committee monitored and reviewed the effectiveness and independence of the Internal Audit function through the following activities:

- Reviewing and approving the Internal Audit Charter and strategy.
- Approving the internal audit plan for Financial Year 2024.
- Reviewing the results of internal audit activities.
- Monitoring management's actions to ensure it has appropriately addressed issues raised by the Internal Audit within the agreed time frames.
- Overseeing and ensuring that the Internal Audit function is adequately resourced.
- Monitoring engagements of Internal Audit with the PwC and key business stakeholders.

Internal Audit independence assurance

The Audit Committee reviewed the annual internal audit plan to ensure comprehensive independent assurance across critical areas of the business. The Committee expressed confidence in the quality, expertise, and experience of the Internal Audit function, affirming that it is well-equipped to support OHB's operations and risk management objectives.

Internal Audit effectiveness

The Board Audit Committee considered that the Internal Audit function remained effective and provided a comprehensive level of assurance through its audit engagements.

Risk Management Department

Risk Management is an integral part of ongoing business activity and decision-making process. Bank's sustainable performance relies on the ability to successfully identify and manage risks at all levels by adopting risk management culture and implementing robust risk management practices. The responsibility of understanding the risks assumed by the Bank and ensuring that these risks are appropriately managed is vested with the Board of Directors of the Bank. The Board sets risk policies and limits in line with the risk appetite of the Bank. The Board of Directors have assigned risk management to an independent Board Risk & Compliance Committee (BRCC) of the Board of Directors, which monitors and measure the overall risk profile of the Bank.

The Bank has set up an independent dedicated Risk Management Department (RMD) which reports to Board Risk & Compliance Committee. The primary responsibility of the RMD is to ensure, on a continuous basis, that an effective risk management framework exists and that the various department of the Bank function within this framework. RMD also functions as an interface between the Management and the Board in defining appropriate risk tolerance levels for various business lines and operating departments of the Bank and in ensuring that policies and procedures are tailored to the defined tolerance levels. A management level Management Risk Committee (MRC) is also in place, which assist BRCC in performing its strategic level roles and responsibilities. Other management level committees which are responsible for inculcating effective risk management culture and discipline within the Bank include Management Credit Committee (MCC) and Asset Liability Committee (ALCO).

A brief account on the various identifiable risks and their risk management process is given below:

1. Credit Risk

Bank has in place credit risk policy and process which encompasses responsibilities of various credit related functions, credit risk strategy, identification, measure and mitigation of credit risk and reporting. Bank credit risk is primarily managed by dealing with customers of good credit standing, a thorough credit assessment, obtaining collaterals and continuous monitoring of the conduct of the account. Bank reviewed its credit risk policy in 2024 to strengthen it further. Detailed credit guidelines and procedures, strict adherence to the segregation of duties principle, elaborate and well-defined authority levels, periodical audit and examination by the internal auditors ensure that the culture of risk permeates through the business departments supported by a rigorous environment of checks and balances.

2. Market and Liquidity Risk

The responsibility for setting up the broad framework for managing the liquidity and market risk effectively lies with Asset-Liability Committee (ALCO) and the responsibility to manage it within this framework, lies with the Treasury Department which discharges this function with the assistance of other business departments of the Bank. The Bank further strengthened its policy on liquidity and market risk management which encompasses assessment of liquidity gaps through cash flow approach, review of foreign currency exposure, impact of adverse movement of interest rate shock by 200 bps across time bands (parallel shift) and scenario for stress testing.

3. Operational Risk

The Bank has detailed policies and procedures that are regularly updated to ensure existence of sound internal control environment. Bank is maintaining updated Business Continuity Plan to provide normal banking services in the event of any unforeseen disruption to business. The Bank has also issued detailed guidelines to the operating units and branches on identifying potential operational risks and to put in place appropriate key controls to mitigate such risks. In the financial year 2024, the Bank's operational risks were well controlled and losses from operational risks were kept at a low level. Various operational functions are monitored by trained and competent staff of the Bank.

The Bank has developed a comprehensive operational risk management framework, which encompasses Operational Risk Management policy and framework on Risk Control and Self-Assessment, Key Risk Indicator and Loss Data Management. The Bank has enabled the Risk Control and Self-Assessment (RCSA) framework to identify the operational weaknesses in various processes and procedures of the Bank by conducting various workshops. The Bank has developed also a risk register covering inherent risk events, control effectiveness and residual risks. The Bank also identifies and monitors the key risks at various levels through the Key Risk Indicator (KRI) framework.

Risk Management Department also conducts regular training programs for staff at various levels to inculcate 'risk awareness' and to spread the general 'risk management culture'.

Marketing and Communications

The Marketing and Communications Department played a strategic role in strengthening OHB's brand presence and promoting its services through targeted campaigns across the Sultanate. These initiatives aimed to enhance public awareness of the bank's housing finance products and streamline customer access to its services.

Key campaigns included "Wasalnakum," which extended outreach to governorates without OHB branches, and "Tawakkal wa Kammel," launched in collaboration with partner banks to facilitate loan processing under uniform conditions. Additionally, "Sas wa Saqaf" provided educational content on home construction, while "Had Shaf Hakim" leveraged the Dhofar Khareef season to engage the public through interactive promotions.

The department also introduced "Workvivo," an internal platform enhancing communication across all OHB branches. Social media engagement saw substantial growth, with over 208 media publications related to the "Iskan" program reaching 12.47 million users and driving significant engagement. By year-end, OHB's follower base expanded by 32% on Instagram, 35% on Twitter (X), and 60% on LinkedIn.

Committed to supporting local businesses, OHB outsourced 100% of its marketing activities to Omani startups, reinforcing its role in economic development. Looking ahead, the department will continue executing strategic campaigns aligned with the bank's vision to enhance financial accessibility for Omani citizens.

DISCLOSURE REQUIREMENTS UNDER PILLAR III OF BASEL II & III

DISCLOSURE REQUIREMENTS UNDER PILLAR – III OF BASEL II & III

For the year ended 31 December 2024

1. 1. Introduction:

Central Bank of Oman (CBO) vide its guidelines circular BM 1009 on Guidelines on Basel II and BM 1114 on Regulatory Capital and Composition of Capital Disclosure Requirement under Basel III has provided the requirement of disclosure as per Pillar III of Basel II and Basel III. These disclosures are intended for market participants to assess key information about the Bank's exposure to various risks and to provide a consistent disclosure framework among banks operating in the market.

The major highlights of the Central Bank of Oman (CBO) regulations on capital adequacy as at Dec-24 are:

a. The Bank is required to maintain at all times, the following minimum capital adequacy ratios:
- Within the overall requirement of 13.50% CAR (including capital conservation buffer), Tier 1 ratio is to be maintained at a minimum of 11.50%;
- Within the minimum Tier 1 ratio of 11.50%, minimum CET 1 ratio is to be maintained at 9.50%; and
- Further, within the minimum overall capital ratio of 11% (excluding capital conservation buffer), Tier 2 capital can be admitted up to a maximum of 2% of Risk Weighted Assets (RWA) of the Bank;

b. To adopt the Basel II standardized approach for credit risk, standardized approach for market risk and basic indicator approach for operational risk.

c. Capital Adequacy returns are submitted to CBO on a quarterly basis and the Bank's external auditors audit report on capital adequacy returns on an annual basis.

4. 2. Field of application

The Bank operates through its branch network in Oman and the subsequent data on the capital structure is consolidated for the operations of all branches of the Bank. The Bank has no subsidiaries and is not part of any group.

5. 3. Basel II & III Disclosures:

3.1 Capital Adequacy Norms

The Bank has calculated its Common Equity Tier 1 (CET1), Tier 1 and Total Capital Ratios in the following manner:

vi. CET1 Capital Ratio = Common Equity Tier 1 Capital/ Total RWA

vii. Tier 1 Capital Ratio= Tier 1 Capital/ Total RWA

viii. Total Capital Ratio = Total Capital/ Total RWA

Tier 1 Capital is the sum of CET1 Capital and Additional Tier 1 Capital (AT1), and Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

The denominator, i.e., Total risk-weighted assets (RWA) is calculated as the sum of credit risk weighted assets, market risk-weighted assets, and operational risk-weighted assets, as guided under CBO circular BM-1009.

Based on the Basel III requirement, the capital structure of the Bank is presented as per the annexure. A reference is invited to paragraph 91 of the Basel III rules, which states that banks should disclose "a full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements". The reconciliation process laid down is aimed at addressing the issues of disconnect between the numbers disclosed for the calculation of regulatory capital and the numbers used in the published financial statements. However, there is no difference between the regulatory consolidation and the accounting consolidation. The components used in the definition of capital disclosure template are provided as per the annexure and the same are mapped to the composition of capital disclosure template as per the annexure.

3. Basel II & III Disclosures:

3.2 Capital Structure: (continued)

The capital base for complying with capital standards is quite distinct from accounting capital. The regulatory capital is broadly classified into two categories – Tier I and Tier II. Bank's capital structure also consists of Tier I capital and Tier II capital.

Tier I capital includes paid up capital, share premium, Additional Tier I capital instruments, legal and general reserves and retained earnings (available on a long-term basis) less regulatory adjustments like cumulative losses of financial instruments classified as Fair Value through Other Comprehensive income (FVOCI), goodwill & other intangibles. There are no innovative capital instruments in the capital. The paid-up share capital represents (100,000) shares, value of each RO 1. The Bank deducts 10% of its annual profits in favour of the statutory reserve. The deduction shall not be suspended unless the balance of this account equals one third of the capital. This reserve is not available for distribution and the Ordinary General Assembly may decide to create optional reserve accounts not exceeding 20% of the net profit for the year

after deducting the statutory reserve. The purpose of the retained earnings is to

strengthen the financial position of the Bank and to meet any unforeseen circumstances.

Tier II (Supplementary capital) of the Bank comprises of general provisions to the extent of total Stage 1 Expected Credit Loss (ECL) and permitted Stage 2 ECL, i.e. the incremental ECL (Stage 2 ECL at a respective reporting date minus stage 2-ECL as at 31 December 2019) may be added back to the Tier 2 capital in the following manner. The incremental stage 2 ECL would not be subject to any ceiling for the time being.

Financial Year	Portion of Incremental Stage 2 ECL allowance considered for Tier 2 capital
2020	100%
2021	80%
2022	60%
2023	40%
2024	20%

The details of capital structure are provided as under:

CAPITAL STRUCTURE:	RO'000 Amount
Share capital	100,000
Legal reserve	33,334
Special reserve	82,480
Retained earnings (excluding proposed dividend)	112,999
Common Equity Tier (CET) I capital	**328,813**
Deferred Tax Assets	-
Less Intangible Assets, including losses, cumulative	-
Cumulative unrealized losses recognized directly in equity	-
Total CET I capital	**328,813**
Additional Tier I Capital	-
Total Tier I Capital	**328,813**
Investment revaluation reserve (45% only)	-
General provision (Sum of Stage 1 and permitted Stage 2 provision subject to max of 1.25% of credit RWA)	4,316
Subordinated loans	-
Total Tier II capital	**4,316**
Total eligible capital (Tier I + Tier II Capital)	**333,129**

3. Basel II & III Disclosures:

3.3 Capital Adequacy Ratio:

The Bank's capital adequacy ratio as at Dec-24 is 68.00% as against the CBO requirement of 13.50%. Most of the exposure is in one asset class i.e. Mortgage loan which majorly has risk weight of 35%. Thus, the Bank has met the Capital Adequacy Ratio (CAR) requirement as set by the CBO. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and the Bank ensures that the capital levels comply with regulatory requirements.

i) The details of the Capital adequacy ratio are provided as under:

Particulars (Amt OMR 000)	Total balances (Book value)	Net balances (Book value)*	Risk Weighted Assets
On-balance sheet items	906,046	902,747	316,772
Off-balance sheet items	52,168	11,719	4,102
Total	**958,214**	**914,466**	**320,874**
CET 1 Capital			328,813
Additional Tier 1			-
Total Tier 1 capital			328,813
Tier 1 Capital			4,316
Total Regulatory capital			**333,129**
Capital requirements for credit risk			320,874
Capital requirements for market risk			109,840
Capital requirements for operational risk			59,157
Total capital risk			**489,871**
Capital Adequacy Ratio – First Level			67.12%
Capital Adequacy Ratio - Gross			68.00%

* Net after deduction of provisions, interest saved and eligible guarantees.

The Bank has a policy of maintaining a sufficient and strong capital base commensurate with the nature of its long-term lending activity to meet the risk of unexpected losses or difficulties. Despite the strength of the Bank's capital base which enables it to cope with various conditions and uncertainties, however the Board, in order to be more cautious to response to the developments, decided to increase the capital adequacy ratio at a rate of 2%, higher than the targeted regulatory level set by the Central Bank of Oman i.e. 13.50% and the actual capital adequacy ratio stood at the end of the year at 68.00%.

3.4 Risk Exposure and Assessment:

The following are the risks to which banks are exposed to and the techniques that banks use to identify, measure, monitor and control these risks.

3.4.1 Credit Risk:

Credit risk is defined as the possibility that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from the Bank's dealings with or lending to a borrower or a financial institution. The objective of credit risk management is to minimize the probable losses and maintain credit risk exposure within acceptable parameters. Approvals for the granting of credit by the executive management within specific ceilings, standards, prudent practices and authority are approved by the Board of Directors, in order to minimize potential losses and keep exposure to credit risk within low limits and acceptable rates. The Board Executive Committee is the topmost credit approving authority of the Bank which is mainly responsible for approving all credit proposals beyond the authority level of the management. The senior management executives are also empowered with loan approving limits beyond which the credit proposals shall be considered by the Management Credit Committee (MCC) which is empowered to consider all credit related issues up to certain limits.

Bank has total assets of RO 896.854 Mn and net credit portfolio of RO 855.588 Mn as at 31st December 2024. All the exposure to credit portfolio is in one asset class i.e. Mortgage lending. All the mortgage lending is secured lending and attract 35% risk weighted asset. Bank has Non-performing Loan (NPL) portfolio of RO 4,726 Mn as at Dec-24 i.e. Gross NPL is 0.55% of the total gross loans. All the credit exposure of the Bank is in Oman. The Bank has well established credit risk policy duly approved by the Board which establishes prudent standards, practices in managing credit risk and setting up prudent benchmarks for management of credit risks. Continuous review of the credit risk policy is done to always adapt to the business environment and regulatory requirements.

3. Basel II & III Disclosures:

3.4 Risk Exposure and Assessment: (continued)

3.4.1 Credit Risk: (continued)

Lending is majorly in accordance with the CBO guidelines. The Bank uses a score card for selection of the borrower and has also implemented Loan Origination System (LOS) which has automated the workflow of retail loan credit proposals.

Past dues and impaired exposures are defined in accordance with the relevant CBO regulations. Bank has adopted the International Financial Reporting Standards (IFRS) 9 guidelines for estimation of Expected Credit Loss as per International Accounting Standards Board (IASB) and CBO guidelines on International Financial Reporting Standards (IFRS) 9 on Financial Instruments, effective from 1 January 2018.

Movement of Gross Loans is provided as under:

	Stage 1	Stage 2	Stage 3	Total
	RO'000	**RO'000**	**RO'000**	**RO'000**
Opening Balance	**775,447**	**632**	**4,665**	**780,744**
Migration/changes (+/-)	(3,402)	3,028	374	-
New Loans	135,041	99	46	135,186
Recovery from Loans	47,792	85	298	48,175
Loans written off	-	-	61	61
Closing Balance	**859,294**	**3,674**	**4,726**	**867,694**
Total ECL	**4,216**	**1,676**	**3,299**	**9,191**

Given that credit granted by the Bank is limited to one type and within a single geographical area, quantitative disclosure is limited to the following:

	Average at current period	Current status as on 31/12/2024
Type of credit	**RO'000**	**RO'000**
Housing loans for citizens subsidized by the Government of the Sultanate of Oman	810,342	853,799
Other housing loans to citizens (unsubsidized)	5,262	4,704
Total	**815,604**	**858,503**

The Bank has adopted the simple approach for credit risk mitigation and no offsetting of the collaterals is done to calculate the capital requirement. The predominant form of collateral is in the form of residential mortgages and per CBO guidelines, collateral in the form of cash, acceptable Bank guarantees and shares listed on the MSM main index is considered for capital adequacy computation purposes.

3.4.2 Market Risk:

Market Risk is the risk to the Bank's earnings and capital due to changes in the interest rates, profit rates or prices of securities, foreign exchange and equities. The Bank for International Settlements (BIS) defines market risk as "the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices". Market Risk has been categorized into interest rate risk, profit rate risk, foreign exchange risk, commodity price risk and equity price risk.

Details of various market risks faced by the Bank are set out below:

i) Interest Rate Risk (IRR):

Interest rate risk is the risk where changes in market interest rates might adversely affect a Bank's financial condition. The immediate impact (up to one year) of changes in interest rates is on the Net Interest Income (NII) i.e. earning approach and a long-term impact (more than one year) of changing interest rates is on the Bank's net worth i.e. economic value of equity approach.

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 interest rate 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.

3. Basel II & III Disclosures:

3.4 Risk Exposure and Assessment: (continued)

3.4.2 Market Risk: (continued)

i) Interest Rate Risk (IRR):

Interest rate risk estimation as per earning and economic value of equity due to adverse movement of 100 bps and 200 bps in interest rate is provided as under:

Position as at 31.12.2024 Impact on	+ or – 1%	+ or – 2%
Earnings at Risk (RO'000)	482	963
Economic Value of Equity (RO'000)	25269	50538
Impact on earning as a % of NII	1.51%	3.02%
Impact as a % of Bank's Net worth	7.59%	15.17%

ii) Foreign Exchange Risk:

Foreign Exchange Risk maybe defined as the risk that a Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in an individual foreign currency.

Bank does not hold foreign currency or any other foreign currency investment. However, the Bank has a borrowing in KWD. Therefore, changes in the KWD affect the statement of profit and loss and other comprehensive income of the Bank. A change in the KWD by +1/-l% will increase/decrease the profit of the Bank by RO 1.098 Mn as at 31 December 2024 (2023 - RO 1.129 Mn).

iii) Commodity and Equity Risk:

Commodity Risk occurs due to volatility in the prices of the commodities. Equity Position risk occurs due to change in the market value of the Bank's portfolio as a result of diminution in the market value of the equity securities. Presently the Bank has no exposure to the commodity and equity market.

iv) The Capital Charges:

The capital charge for the entire market risk exposure is computed as per the standardized approach using the duration method and in accordance with the guidelines issued by CBO in its circular BM 1009. The Bank does not participate in trading in debts, equity securities, and foreign exchange or derivative instruments. Foreign exchange risk capital charge is computed on the three-month average of the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank. The capital charge for various components of market risk is presented below

Type of risk	RO'000 Amount
Interest Rate Risk	-
Equity Position Risk	-
Commodities Position risk	-
Foreign Exchange position risk	111,541
TOTAL	**111,541**

3.4.3 Operational Risk:

Basel Committee on Banking Supervision has defined operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, punitive damages resulting from supervisory actions, as well as private settlements.

Bank has a well-defined Operational Risk Management (ORM) policy which inter-alia includes Operational Risk Events, Operational Risk losses and ORM process. Business and Functional units are primarily responsible for taking and managing Operational Risk on a day-to-day basis. The Risk Management Division provides guidance and assistance in the identification of risk and in the ongoing operational risk management process.

Basel II has provided three different approaches viz., Basic Indicator approach (BIA), The standardized approach (TSA) and Advanced measurement approach to compute the capital charge of Operational Risk. The Bank has adopted the BIA for computing the capital charge for Operational Risk as per CBO guidelines. The approach requires the Bank to provide 15% of the average gross income for the last three years as capital charge for operational risk.

As at Dec-24, Bank has average gross income of RO 31,550 Mn and capital charge against operational risk is RO 59,157 Mn.

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oman Housing Bank SAOC (the "Bank") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' Report, Governance Report 2024, Management Discussion Analysis and Disclosure Requirement under Pillar - III of Basel II & III (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Bank's Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

pwc

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

Other information (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Bank's Annual Report if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the Commercial Companies Law of 2019, 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.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

pwc

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

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Further, as required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021, we report that:

(i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

(ii) the Bank has maintained accounting records and the financial statements are in agreement therewith;

(iii) the financial information included in the Board of Directors' report is consistent with the books of accounts of the Bank; and

(iv) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2024 any of the applicable provisions of the Commercial Companies Law of 2019 or of its Articles of Association which would materially affect the financial performance and/or its financial position as at 31 December 2024.

PricewaterhouseCoopers

Amit Daji
Partner
Muscat, Sultanate of Oman
18 March 2025

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PricewaterhouseCoopers LLC
C.R. No 1230865

FINANCIAL STATEMENT

Report on the audit of the financial statements

OUR OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oman Housing Bank SAOC (the "Bank") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Board of Directors' Report, Governance Report 2024, Management Discussion Analysis and Disclosure Requirement under Pillar - III of Basel II & III (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the Bank's Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Bank's Annual Report if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the Commercial Companies Law of 2019, 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.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021, we report that:

I. we have obtained all the information and explanations we considered necessary for the purposes of our audit;

II. the Bank has maintained accounting records and the financial statements are in agreement therewith;

III. the financial information included in the Board of Directors' report is consistent with the books of accounts of the Bank; and

IV. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2024 any of the applicable provisions of the Commercial Companies Law of 2019 or of its Articles of Association which would materially affect the financial performance and/or its financial position as at 31 December 2024.

Amit Daji
Partner

Muscat, Sultanate of Oman

18 March 2025

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 RO'000	2023 RO'000 (Restated) (Note 36)	1 January 2023 RO'000 (Restated) (Note 36)
ASSETS				
Cash and balance with Central Bank of Oman	5	**14,730**	15,082	2,434
Due from banks	6	**19,084**	156	28,016
Mortgage loans – net	7	**858,503**	772,704	695,322
Other assets	9	**180**	211	154
Property, equipment and software	8	**4,357**	3,476	3,794
Total assets		**896,854**	791,629	729,720
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	10	**31,092**	35,098	20,474
Customers' deposits	11	**225,137**	124,935	91,829
Other liabilities	13	**16,867**	14,771	11,204
Borrowings	12	**274,072**	280,367	285,461
Total liabilities		**547,168**	455,171	408,968
EQUITY				
Share capital	14	**100,000**	100,000	100,000
Legal reserve	15	**33,334**	32,571	30,400
Special reserve	16	**82,480**	78,251	74,344
Impairment reserve	17	**9,822**	9,202	9,294
Revaluation reserve	18	**2,287**	2,287	2,287
Retained earnings		**121,763**	114,147	104,427
Total equity		**349,686**	336,458	320,752
Total equity and liabilities		**896,854**	791,629	729,720
Mortgage loan commitments	27	**52,168**	40,823	44,139

The financial statements were approved by the Board of Directors and authorised for issue on 29th January, 2025 in accordance with the resolution of the Board of Directors.

Salaam Bin Said Al Shaksy
Chairman

Moosa Bin Masoud Al Jadidi
Chief Executive Officer

The accompanying notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RO'000	2023 RO'000
Interest income	20	**49,413**	45,030
Interest expense	21	**(17,567)**	(14,225)
Net interest income		**31,846**	30,805
Other operating income	22	**1,144**	1,158
Foreign exchange gain / (loss)		**299**	(665)
Total Income		**33,289**	31,298
EXPENSES			
Operating expenses	23	**(10,005)**	(7,762)
Depreciation	8	**(202)**	(488)
Total expenses		**(10,207)**	(8,250)
Net impairment on financial assets	24	**(1,172)**	(1,342)
Profit for the year		**21,910**	21,706
Earnings per share (basic and diluted)	26	**0.219**	0.217

There are no other comprehensive income during the year and prior year.

The accompanying notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital	Legal reserve	Special reserve	Impairment reserve	Revaluation reserve	Retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2024	**100,000**	**32,571**	**78,251**	**9,202**	**2,287**	**114,147**	**336,458**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**21,910**	**21,910**
Transactions with shareholders:							
Payment of dividend	**-**	**-**	**-**	**-**	**-**	**(8,682)**	**(8,682)**
Other transactions within equity							
Transfer to impairment reserve	**-**	**-**	**-**	**620**	**-**	**(620)**	**-**
Transfer to legal reserve	**-**	**763**	**-**	**-**	**-**	**(763)**	**-**
Transfer to special reserve	-	-	4,229	-	-	(4,229)	-
At 31 December 2024	100,000	33,334	82,480	9,822	2,287	121,763	349,686

	Share capital	Legal reserve	Special reserve	Impairment reserve	Revaluation reserve	Retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2023	100,000	30,400	74,344	9,294	2,287	104,427	320,752
Profit for the year	-	-	-	-	-	21,706	21,706
Transactions with shareholders:							
Payment of dividend	-	-	-	-	-	(6,000)	(6,000)
Other transactions within equity							
Transfer to impairment reserve	-	-	-	(92)	-	92	-
Transfer to legal reserve	-	2,171	-	-	-	(2,171)	-
Transfer to special reserve	-	-	3,907	-	-	(3,907)	-
At 31 December 2023	100,000	32,571	78,251	9,202	2,287	114,147	336,458

The accompanying notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RO'000	2023 RO'000 (Restated) (Note 36)
Cash flows from operating activities			
Profit for the year		**21,910**	21,706
Adjustments:			
Depreciation	8	**202**	488
End of service benefits charge	13.1	**17**	7
Net impairment on financial assets	24	**1,172**	1,382
Transfer of loans written off	7	**(61)**	(84)
Net adjustment for interest accrued on Borrowings		**(735)**	(493)
Foreign exchange (gain) / loss		**(299)**	665
Banking and administrative service fees reserved during the year	7.1	**91**	78
Banking and administrative service fees written back during the year	7.1	**(114)**	(148)
Operating profit before changes in working capital		**22,183**	23,601
Changes in working capital:			
Mortgage loans	7	**(86,887)**	(78,610)
Other assets	9	**31**	(57)
Due to banks	10	**(4,006)**	14,623
Customers' deposits	11	**100,202**	33,106
Other liabilities	13	**2,081**	3,562
Net cash generated from / (used in) operating activities		**33,604**	(3,775)
Cash flows from investing activity			
Purchase of property, equipment and software	8	**(1,085)**	(170)
Cash used in investing activity		**(1,085)**	(170)
Cash flows from financing activities			
Borrowings repaid		**(5,261)**	(5,267)
Dividend paid		**(8,682)**	(6,000)
Cash used in financing activities		**(13,943)**	(11,267)
Net change in cash and cash equivalents		**18,576**	(15,212)
Cash and cash equivalents at the beginning of the year		**15,238**	30,450
Cash and cash equivalents at the end of the year	25	**33,814**	15,238

Interest paid during the year was RO 16.803 million (2023: RO 13.634 million). This is part of operating cash flows of the Bank.

Net debt reconciliation is disclosed in note 34 of these financial statements.

The accompanying notes 1 to 36 form an integral part of these financial statements.

5. 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 9 branches in the Sultanate of Oman.

In accordance with Article 6 of the Royal Decree No. 51/77 and 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 interest rate and the reduced interest rate in the form of subsidy.

In accordance with its objectives the income earned by the Bank is predominantly from:

- Banking and administrative service fee from funding provided to customers of the Bank
- Government contribution to subsidy banking and administrative service fee

6. 2 Basis of preparation and material accounting policy information

The material accounting policies adopted in the preparation of the financial statements are set out below. These policies have been constantly applied by the Bank except as stated otherwise.

2.1 Basis of preparation

a. Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB') and the applicable requirements of the Central Bank of Oman ('CBO') and the Commercial Companies Law of 2019.

The financial statements have been prepared on the historical cost basis except for lands which are measured at fair value. The statement of financial position is presented in the order of liquidity as this presentation is more appropriate to the Bank's operations.

b. Use of estimates and judgements

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.

c. Functional and presentation currency

The financial statements are presented in Rials Omani (RO), which is the functional currency of the primary economic environment in which the Bank operates.

Transactions in foreign currencies are translated into Rials Omani at the rates prevailing on the date of the transactions. Monetary Assets and liabilities denominated in foreign currencies are translated to Rials Omani at year end rates. Any gain or loss arising from changes in exchange rates subsequent to the date of the transaction is recognised in the statement of comprehensive income.

d. Standards, amendments and interpretations effective in 2024

Following new standards, amendments to standards and interpretations have become effective for the first time for the reporting periods beginning on or after 1 January 2024.

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants- Amendments to IAS 1;
- Lease Liability in Sale and Leaseback – Amendments to IFRS 16; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

5. 2 Basis of preparation and material accounting policy information (continued)

2.1 Basis of preparation (continued)

a. Standards, amendments and interpretations to existing IFRS that are not yet effective

Following are the new standards and amendments to existing standards that have been issued, but not yet effective, and are applicable for future reporting periods.

- Amendments to IAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

Management believes that adoption of the above new Standards and amendments, which are in issue but not yet effective, is not likely to have any material impact on the presentation and disclosure of items in the financial statements of the Company for these future periods.

2.2 Financial assets

2.2.1 Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

Financial instruments include cash and balance with central bank, due from banks, mortgage loans, due from Government of Oman, due to banks, customers' deposits, loans from government of Oman, loan from a bank, loan from the Arab Fund for Economic and Social Development and other financial assets and liabilities.

2.2.2 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At origination of financial instruments, the Bank measures them at their fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in statement of profit or loss. Immediately after initial recognition, ECL is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in statement of profit or loss when a financial asset is newly originated.

2.2.3 Classification and measurement

The classification and measurement approach for financial assets reflects the business model in which financial assets are managed and their cash flow characteristics.

2. 2 Basis of preparation and material accounting policy information (continued)

2.2 Financial assets (continued)

2.2.4 Business model assessment

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows, with amounts being collected through collection department if the default happens. This accordingly follows the business model of collecting contractual cash flow and accordingly classified as financial assets at amortized cost.

Assets held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short- term profit-taking. These assets are classified in the 'other' business model and measured at FVTPL.

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI, if any.

2.2.5 Assessment whether contractual cash flows are SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

In assessing whether the contractual cash flows are SPPI, the Bank will consider the contractual terms of the financial instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the bank's claim to cash flows from specified assets – e.g. Non-recourse asset arrangements; and
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

There are three principal classification categories for financial assets which are now measured at amortised cost, Fair value Through Other Comprehensive Income (FVOCI"); and Fair Value Through Profit or Loss ('FVTPL').

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. 2 Basis of preparation and material accounting policy information (continued)

2.2 Financial assets (continued)

2.2.5 Assessment whether contractual cash flows are SPPI (continued)

On initial recognition, an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise, meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial asset is classified into one of these categories on initial recognition.

2.2.6 Impairment of financial assets

The Bank assesses on a forward looking basis the ECL associated with the financial assets carried at amortized cost and FVOCI. The Bank recognises a loss allowance for such losses at each reporting date.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

No impairment loss is recognised on equity investments.

A loss allowance will be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of a financial instrument, whereas 12- month ECL's are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date.

Note 30.3.5 provides more details on how the expected credit loss allowance is measured.

2.2.7 Measurement of ECLs

The Bank recognises loss allowances at an amount equal to lifetime ECLs for a financial instrument, if the credit risk on that financial instrument has increased significantly since initial recognition considering all reasonable and supportable information. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. The difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn and the cash flows that the bank expects to receive from this commitment; and
- Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

a. Unimpaired and without significant increase in credit risk ("SICR') (Stage 1)

ECL resulting from default events that are possible within the next 12-months (12-month ECL") are recognised for financial instruments that remain in stage 1.

b. Financial assets with SICR but not Credit Impaired (Stage 2)

Financial assets which have experienced a SICR (as defined in note 30.3.3 of the financial statements) are in stage 2; and lifetime ECL is required to be calculated.

3. 2 Basis of preparation and material accounting policy information (continued)

2.2 Financial assets (continued)

2.2.7 Measurement of ECLs (continued)

d. Definition of default/Credit Impaired (Stage 3)

Under IFRS 9, the Bank considers a financial asset to be in default when there is available information that the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or the borrower is more than 90 Days Past Due ('DPD') on the respective significant credit obligation to the Bank. In assessing whether a borrower is in default, the Bank mainly considers quantitative factors to determine whether default event has occurred. For IFRS 9 perspective, default will happen when a significant credit obligation is 90 DPD or has been assigned a CBO classification of non-performing loan.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. A financial instrument is considered to no longer be in default, when it no longer meets the default criteria.

2.2.7.1 Determining SICR

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort available to the Bank. As a backstop, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 DPD. The Bank determines DPD by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. Modifying the contractual terms of a financial instrument may also affect this assessment. The Bank primarily identifies SICR when the financial asset is contractually 30 DPD.

In certain instances, using expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

The Bank monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that results of assessment are compliant and internal guidelines and settings.

a. Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are, in general, the following variables:

- Probability of Default ("PD");
- Loss Given Default ("LGD"), and
- Exposure at Default ("EAD").

These parameters are derived (alone or together) from internally developed statistical models based on own historical data or derived from available market data adjusted to reflect forward-looking information where applicable.

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models. These statistical models are primarily based on internally compiled data comprising both quantitative and qualitative factors and are supplemented by external credit assessment data where available.

Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the forecasted collateral value, adjusted for applicable haircuts and recovery costs of any collateral that is integral to the financial asset.

2. 2 Basis of preparation and material accounting policy information (continued)

2.2 Financial assets (continued)

2.2.7 Measurement of ECLs (continued)

2.2.7.1 Determining SICR (continued)

a. Inputs into measurement of ECLs (continued)

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Forward-looking information

Where appropriate the Bank incorporates forward-looking information into assessment of whether the credit risk of an instrument has increased significantly since initial recognition and as part of measurement of ECLs. External information used may include economic data and forecasts published by governmental bodies and monetary authorities in Sultanate of Oman where the Bank operates, supranational organisations such as the Organisation for Economic Co-operation and Development and the International Monetary Fund and selected private sector and academic forecasters.

The Bank uses (based on data availability and credibility of sources) an analysis of historical data to estimate correlations between macro-economic variables and credit risk and credit losses. At the reporting date, as no statistically valid correlations could be established, the Bank has concluded that the best reasonable and supportable information is the unadjusted historical information.

Please refer note 30.3 to these financial statements for detailed credit risk notes.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Bank renegotiates loans to customers in financial difficulties (referred to as “forbearance activities’) to maximise collection opportunities and minimise the risk of default. Under the Bank’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/ credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

As the Bank only has immaterial modified loans, qualitative criteria to measure the default is considered to have an immaterial effect on the ECL calculated on the financial assets of the Bank.

Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

2. 2 Basis of preparation and material accounting policy information (continued)

2.3 Financial liabilities

a. Classification and measurement

The Bank classifies its financial liabilities, other than loan commitments at amortised cost.

b. Loan commitments

For loan commitments, which are related to partially drawn loans, loss allowances are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

c. Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted in the carrying amount of the liability and are amortised over the remaining term of the modified liability.

d. 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.

2.3.1 Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income on accrual basis, taking account of the principal outstanding and the effective interest rate applicable. The calculation of effective interest rate includes transaction costs and fees paid / received that are an integral part of effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Financial asset or financial liability is measured at initial recognition minus the principle repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for loss allowance.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis

Interest income on classified accounts is included in expected credit loss allowance and excluded from income until it is received in cash.

5. 2 Basis of preparation and material accounting policy information (continued)

2.3 Financial liabilities

2.3.2 Commission and fees

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income, which is not an integral part of the effective interest rate of a financial instrument, is accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Bank based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognises revenue when it transfers control over a product or service to a customer.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Commission and fees is measured based on the consideration specified in the contract with the customers. The products and services of the Bank covered under IFRS 15 along with its nature, timing of satisfaction of performance obligations are charged to the customer's account when the transaction takes place. The Bank recognises revenue on satisfaction of performance obligation as per the terms of contract.

2.5 Mortgage loans

Mortgage loans are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest method less allowance for expected credit losses which are recognised in the statement of comprehensive income.

2.6 Property, equipment and software

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

Revaluation 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 or by external valuer. Net surplus arising on revaluation is credited to a revaluation reserve, except that a revaluation increase is recognised as income in the statement of profit or loss and other comprehensive 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 profit or loss and other comprehensive income.

Depreciation and amortization is calculated so as to write off the cost of property, equipment and software 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, fixtures and office equipment	5-10
Other equipment	5
Motor Vehicles	5
Software	5-7

Capital work-in-progress is not depreciated / amortized 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, equipment and software are determined as the difference between the carrying amount of the asset and its selling price and are dealt within the statement of profit or loss and other comprehensive income.

6. 2 Basis of preparation and material accounting policy information (continued)

2.7 Borrowings

Borrowings of the bank consists of amounts due from banks, loan from a bank, loan from government of Oman and loan from Arab Fund for Economic and Social Development. Borrowings 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 rate basis.

2.8 Customers' deposits

Customers' deposits are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest rate (EIR) method.

2.9 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.

2.10 Directors' remuneration

The Board of Directors' remuneration is accrued within the limits specified by the requirements of the Commercial Companies Law of the Sultanate of Oman. This is recognised in the statement of comprehensive income.

2.11 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 Social Protection Fund in accordance with the terms of the Royal Decree 61/2013.

The Bank's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

2.12 Provision

A provision is recognised in the statement of financial position when the Bank has present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows using a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as cost.

2.13 Other liabilities

Other liabilities are initially recorded at fair value and are subsequently measured at amortised cost.

2.14 Foreign currencies

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 or losses are included in the statement of profit or loss and other comprehensive income.

2.15 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.

2.16 Cash and cash equivalents

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

7. 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 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 assets and liabilities.

Significant areas where the management has used estimates, assumptions or exercised judgements are as follows:

3.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. The likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Management uses estimates based on historical loss experience for financing and other credits with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating cash flows.

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

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.2.7.

3.2 Classification and measurement of financial assets

Due to the nature of the loans granted, the type of customers to which the loans were granted, and the subsidy provided by the government, management considered the guidance in IFRS to determine if the arrangements would meet the classification as amortised cost. The key consideration was whether the cash flows under the loans met the requirements of solely payment of principal and interest (SPPI). Management assessed the loans meet the requirements of SPPI on the following basis:

- In terms of interest income, the contractual agreements with the borrowers makes no mention of the subsidy from the Government of Oman. The customers are only informed of the interest rate charged to them based on their income/salary brackets. The remaining interest (difference between amount charged to customer and the prevailing total rate) is received from the Government of the Sultanate of Oman on a monthly basis irrespective of whether the borrower has cleared their dues or not. Therefore, the Bank has the contractual right to charge the customers and the MOF their respective shares and have legal rights to pursue the principal from the borrower and respective share of interest from both Government and borrower. The subsidy received on the loans is considered to be part of the contractual terms between the Bank and Government on the mortgage loan provided to the customer.
- The loans contain prepayment features. However, the amount to be prepaid is not materially different from the outstanding amount at the time of prepayment.
- The Bank has performed an in-depth assessment of its cash flows from loan receivables and considers that all cash flows arising from the financial asset are in fact solely payment of principal and interest. No other terms indicated that the cash flows would not represent SPPI.

3.3 Fair value of the loans granted and borrowings obtained

Under IFRS 9 all financial instruments are recognised at fair value on initial measurement. Given the nature of the loans granted fixed rate and borrowings received are lower rates, management has assessed the loans and determined the loans are granted and obtained at fair value. The assessment is based on:

- Loans granted are provided to a group of market participants who have access to funding from other commercial banks at the similar interest rate being offered by the Bank.
- All loans granted are provided on the same market conditions and are considered market rates for these types of borrowers.
- The loans obtained are guaranteed by the Government of Oman and are specifically provided for the purpose of lending to a specific type of borrower.

8. 3 Critical accounting estimates and judgments (continued)

3.4 Accounting for contractual rights and obligations related to the fiduciary activities

As set out in note 35, the Bank manages collection of loans from the borrowers. Management has assessed how the loans managed by the Bank with respect to this activity should be accounted for by the Bank. In assessing, management determined:

- The Bank assumes no credit risk or any other risk from the loans managed.
- All loans are under the control and direction of the respective Government authority and the economic benefits from the loans does not flow to the Bank. All interest income accrues to the Government authority.
- The loan agreements are between the Government Authority and the borrower, the Bank acts under the control and direction of the Government authority.
- All contractual rights and obligations of the loans are not the property or obligations of the Bank but purely that of the Government authority.
- The Bank is entitled to fee for services rendered for collection and not to assume any credit risk on any loans.

On the basis of above, management concluded that the loans granted to borrowers managed by the Bank should be accounted for by the Bank as fiduciary assets.

3.5 Useful lives of property, equipment and software

The useful lives, residual values and methods of depreciation of property, equipment and software are reviewed, and adjusted if appropriate, at each financial year end. The calculation of useful lives is based on management's assessment of various factors such as the maintenance programs, and normal wear and tear, recent acquisitions, as well as market and industry trends using its best estimates.

9. 4 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 management considers that 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:

Mortgage loans

Loans are granted to a group of market participants who have access to funding from other commercial banks at the similar interest rate being offered by the Bank. All loans granted are provided on the same market conditions and are considered market rates for these types of borrowers. The fair value of mortgage loans approximate its carrying value.

Customer deposits

The fair values of customers' deposits 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.

Borrowings

The fair values of loans from the Government, Arab fund and the bank are estimated using the interest rates offered for loans with similar terms and conditions. The fair value of the borrowings is therefore approximate their carrying value.

Other financial instruments

The carrying amounts other financial assets and financial liabilities recognised in the statement of financial position are considered to be a reasonable estimate of the fair values due to their short-term nature.

10. 5 Cash and balance with Central Bank of Oman

	2024	2023
	RO'000	RO'000
Balance with Central Bank of Oman	**14,535**	14,862
Cash in hand	**195**	220
	14,730	15,082

11. 6 Due from banks

	2024 RO'000	2023 RO'000
Inter-bank placements	**19,000**	-
Nostro balances	**84**	158
ECL allowance	**-**	(2)
	19,084	156

Inter-bank placements carry interest rate ranging from 4.5% to 4.6% per annum. All placements are with commercial banks located in the Sultanate of Oman.

12. 7 Mortgage loans

	2024 RO'000	2023 RO'000
Gross mortgage loans as at 1 January	**780,744**	702,064
Loans distributed during the year	**135,186**	124,332
Banking and administrative service fees	**15,824**	13,767
Government contribution to banking and administrative service fees	**33,262**	30,868
Loans written off during the year	**(61)**	(84)
Net repayments during the year	**(97,261)**	(90,203)
Gross mortgage loans as at 31 December	**867,694**	780,744
ECL provision	**(8,888)**	(7,714)
Reserved banking and administrative service fees (refer note 7.1)	**(303)**	(326)
Net mortgage loans as at 31 December	**858,503**	772,704

The CBO provisions are higher than the ECL calculated in accordance with IFRS 9 as at 31 December 2024. Therefore, an impairment reserve is kept under equity for the excess impairment requirement as per CBO.

A detailed analysis of the movement in the ECL provisions is provided in note 30.3.5.

Mortgage loans include subsidy receivable from government billed to the Ministry of Finance for the interest subsidy on the mortgage loans. The balances receivables from Government has no overdue balances and there has been no indicators of SICR during the year.

7.1 The movement in the reserved banking and administrative service fees during the year

	2024 RO'000	2023 RO'000
As at 1 January	**326**	396
Banking and administrative service fees reserved during the year	**91**	78
Banking and administrative service fees written back during the year	**(114)**	(148)
At 31 December	**303**	326

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 loans which are impaired (i.e. overdue by more than 89 days).

The banking and administrative service fees rates charged to customers range from 1% to 6% (2023 - 1% to 6%) per annum.

13. 7 Mortgage loans (continued)

7.2 Summary of mortgage loans

	2024	2023
	RO'000	RO'000
Performing accounts	862,968	773,362
Non-performing mortgage loans	4,726	4,665
Total mortgage loans	867,694	780,744

7.3 Non-performing loans for the purpose of CBO

	2024	2023
	RO'000	RO'000
Substandard (past due 90-179 days)	803	755
Doubtful (past due 180-364 days)	980	820
Loss (past due 365 days and over)	2,943	3,090
	4,726	4,665

7.4 Fair value of collateral – classified loans

	2024	2023
	RO'000	RO'000
Fair value of collateral	6,877	7,467

There are no significant changes to the quality of collateral held by the Bank as compared to 31 December 2024.

7.5 Movement in gross carrying amount – Mortgage loans account

31 December 2024	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000
Balance at 1 January	775,448	630	4,666	780,744
Transfers between stages				
Stage 1 to stage 2	(2,423)	2,423	-	-
Stage 1 to stage 3	(1,852)	-	1,852	-
Stage 2 to stage 3	-	(136)	136	-
Stage 2 to stage 1	366	(366)	-	-
Stage 3 to stage 1	1,398	-	(1,398)	-
Stage 3 to stage 2	-	256	(256)	-
Financial assets originated during the year	135,150	990	46	135,186
Financial assets matured during the year	(47,792)	(125)	(258)	(48,175)
Write offs	-	-	(61)	(61)
At 31 December	859,295	3,672	4,727	867,694

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000
Balance at 1 January	692,048	1,437	6,109	699,594
Transfers between stages				
Stage 1 to stage 2	(457)	457	-	-
Stage 1 to stage 3	(1,289)	-	1,289	-
Stage 2 to stage 3	-	(372)	372	-
Stage 2 to stage 1	929	(929)	-	-
Stage 3 to stage 1	2,796	-	(2,796)	-
Stage 3 to stage 2	-	17	(17)	-
Financial assets originated during the period	124,193	83	56	124,332
Financial assets matured during the period	(42,772)	(63)	(263)	(43,098)
Write offs	-	-	(84)	(84)
At 31 December	775,448	630	4,666	780,744

14. 7 Mortgage loans (continued)

7.6 Movement in ECL of mortgage loans

Mortgage loans including loan commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**
ECL as at 1 January 2024	**4,607**	**214**	**3,219**	**8,040**
Movements during the year				
Transfers between Stages				
Stage 1 to stage 2	**(81)**	**81**	**-**	**-**
Stage 1 to stage 3	**(94)**	**-**	**94**	**-**
Stage 2 to stage 3	**-**	**(48)**	**48**	**-**
Stage 2 to stage 1	**6**	**(6)**	**-**	**-**
Stage 3 to stage 1	**27**	**-**	**(27)**	**-**
Stage 3 to stage 2	**-**	**105**	**(105)**	**-**
Net impairment charge / (reversals) for the year	**(249)**	**1,330**	**93**	**1,174**
Net movement in banking and administrative service fees reserved	**-**	**-**	**(23)**	**(23)**
Loss allowance as at 31 December 2024*	**4,216**	**1,676**	**3,299**	**9,191**

Mortgage loans including loan commitments	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000
ECL as at 1 January 2023	2,573	473	3,696	6,742
Movements during the year				
Transfers between Stages				
Stage 1 to stage 2	(6)	6	-	-
Stage 1 to stage 3	(21)	-	21	-
Stage 2 to stage 3	-	(125)	125	-
Stage 2 to stage 1	58	(58)	-	-
Stage 3 to stage 1	164	-	(164)	-
Stage 3 to stage 2	-	4	(4)	-
Net impairment charge / (reversals) for the year	1,839	(86)	(386)	1,367
Net movement in banking and administrative service fees reserved	-	-	(69)	(69)
Loss allowance as at 31 December 2023*	4,607	214	3,219	8,040

15. 8 Property and equipment

	Land	Buildings	Furniture fixtures and office equipment	Motor vehicles	Computer software	Capital work in progress	Total
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Cost or revaluation							
At 1 January 2024	**2,414**	**2,588**	**2,589**	**144**	**1,828**	**-**	**9,563**
Additions during the year	**-**	**-**	**177**	**-**	**63**	**845**	**1,085**
Disposals during the year	-	-	(122)	-	-	-	(122)
At 31 December 2024	2,414	2,588	2,644	144	1,891	845	10,526
Accumulated depreciation							
At 1 January 2024	**-**	**1,975**	**2,279**	**142**	**1,691**	**-**	**6,087**
Charge for the year	**-**	**42**	**110**	**2**	**48**	**-**	**202**
Relating to disposals	-	-	(120)	-	-	-	(120)
At 31 December 2024	-	2,017	2,269	144	1,739	-	6,169
Net book value							
31 December 2024	2,414	571	375	-	152	845	4,357

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 2022 (last year of revaluation) was RO 2,379,000. Fair value of the land has been classified as level 2 in accordance with the requirements of fair value hierarchy.

	Land	Buildings	Furniture fixtures and office equipment	Motor vehicles	Computer software	Capital work in progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost or revaluation							
At 1 January 2023	2,379	2,588	2,548	144	1,739	15	9,413
Additions during the year	35	-	46	-	89	-	170
Disposals during the year	-	-	(20)	-	-	-	(20)
Transfer during the year	-	-	15	-	-	(15)	-
At 31 December 2023	2,414	2,588	2,589	144	1,828	-	9,563
Accumulated depreciation							
At 1 January 2023	-	1,932	2,163	139	1,385	-	5,619
Charge for the year	-	43	136	3	306	-	488
Relating to disposals	-	-	(20)	-	-	-	(20)
At 31 December 2023	-	1,975	2,279	142	1,691	-	6,087
Net book value							
31 December 2023	2,414	613	310	2	137	-	3,476

16. 9 Other assets

	2024	2023
	RO'000	RO'000
Prepayments and other receivables	180	211

17. 10 Due to banks

	2024	2023
	RO'000	RO'000
Due to banks	31,092	35,098

Interest rates on these vary from 4.45% to 5.80% (2023 – 5.72% to 6%) per annum, maturing during the next 12 months (2023: maturing during the next 12 months).

18. 11 Customers' deposits

	2024	2023
	RO'000	RO'000
Term deposits	163,423	99,007
Call deposit	45,540	11,223
Saving accounts	15,537	14,140
Demand accounts	637	565
	225,137	124,935

Interest rates on savings accounts and terms deposits vary from 0% to 6% (2023 – 0% to 6%) per annum, with expected maturity within 3 years.

19. 12 Borrowings

	2024	2023
	RO'000	RO'000
Loan from the Government of Oman (note 12.1)	145,879	146,107
Loans from the Arab Fund for Economic and Social Development Bank (note 12.2)	111,541	115,043
Loan from a bank (note 12.3)	16,652	19,217
At 31 December	274,072	280,367

12.1 Loan from the Government of Oman

	2024	2023
	RO'000	RO'000
Government loan-1	35,178	35,251
Government loan-2	10,506	10,661
Government loan-3	8,121	8,121
Government loan-4	31,469	31,469
Government loan-5	40,605	40,605
Subordinated loan	20,000	20,000
	145,879	146,107

Loan 1-5 from the Government of Sultanate of Oman sanctioned amounting to RO 123,830,000. Repayments of these loans will commence from January 01, 2031, repayable in 20 equal annual instalments. These loans have an interest rate of 3% per annum, paid semi-annually.

During the year 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.

20. 12 Borrowings (continued)

12.2 Loans from the Arab Fund for Economic and Social Development Bank

During the year 2014, the Arab Fund for Economic and Social Development approved a loan of Kuwaiti Dinar ('KWD') 40,000,000 at an interest rate of 3% per annum. The Bank has fully drawn the facility and has a balance of RO 35,638,571 at 31 December 2024 (2023 - RO 37,716,805). The interest is paid every six months of each year in February and August. The loan is repayable in thirty-six semi-annual equal instalments starting from 1 August 2018 each amounting to KWD 1,100,000 and last instalment amounted to KWD 400,000. This is after grace period of four years from the first withdrawal.

During the year 2019, the Arab Fund for Economic and Social Development approved another loan of KWD 60,000,000 at an interest rate of 2.5% per annum. The amount of loan drawn as at 31 December 2024 is KWD 60,000,000 (2023 - KWD 60,000,000) which is equivalent RO 75,901,805 (2023 - RO 75,183,000). The loan is repayable in Fifty-one semi-annual equal instalments starting from 2025, each amounting to KWD 1,190,000 and last instalment amounted to KWD 500,000. This is after grace period of five years from the first withdrawal.

12.3 Loan from a bank

During the year 2019, local commercial bank approved a loan of RO 25,000,000 at an interest rate of 5.75% per annum. The interest is paid every six months of each year. The loan is repayable semi-annually in 20 equal instalments amounting to RO 1,250,000, started from 28 July 2021.

21. 13 Other liabilities

	2024	2023
	RO'000	RO'000
Customers' insurance payable	**6,056**	5,608
Retention payable to contractors	**5,008**	5,233
Provision for end of service benefits (note 13.1)	**43**	26
Other payables	**5,760**	3,904
	16,867	14,771

13.1 The movement in the provision for employees' end of service benefits during the year

	2024	2023
	RO'000	RO'000
At 1 January	**26**	19
Charge for the year	**17**	7
At 31 December	**43**	26

22. 14 Share capital

The share capital of the Bank is divided into 100,000,000 shares (2023 - 100,000,000 shares) amounting to RO 100,000,000 (2023 - RO 100,000,000). The paid-up capital of the Bank consist of 100,000,000 (2023 – 100,000,000) share of RO 1 each (2023 - RO 1 each). The shareholding pattern is as follows:

	2024	2023
Government of the Sultanate of Oman - Ministry of Finance (Parent)	**61%**	61%
Social Protection Fund	**39%**	-
Internal Security Service Pension Fund	**-**	6.5%
Royal Guard of Oman Pension Fund	**-**	6.5%
Ministry of Defence Pension Fund	**-**	6.5%
Royal Oman Police Pension Fund	**-**	6.5%
Civil Service Employees Pension Fund	**-**	6.5%
Public Authority for Social Insurance	**-**	6.5%
	100%	100%

23. 15 Legal reserve

In accordance with the Bank's Articles of Association and Commercial Companies Law of Sultanate of Oman, the Bank is required to transfer 10% of its net profit for the year to a legal reserve until the balance of the reserve is equal to one-third of the Bank's paid-up capital. The legal reserve is not available for distribution.

24. 16 Special reserve

In accordance with the Articles of Association of the Bank, after appropriation of legal reserve; the General Assembly may decide to create optional reserve accounts not exceeding 20% (2023 - 20%) of the net profits for the year.

25. 17 Impairment reserve

In accordance with Central Bank of Oman circular number BM 1149 'Implementation of IFRS 9 on Financial Instruments', where the aggregate specific and general provisions along with reserve interest as per CBO norms is higher than the ECL under IFRS 9, the difference net of taxation should be transferred to the impairment reserve within equity. The impairment reserve is not available for distribution.

26. 18 Revaluation reserve

This reserve represents the fair value gain arising from revaluation of lands after the initial recognition. During the year 2022, the Board of Directors had passed a resolution to revalue the lands owned by the Bank through external valuers, as a result all plots were revaluated.

27. 19 Proposed dividend

The cash dividend of RO [xxx] has been proposed by the Bank's Board of Directors (2023 - RO 8.6 million) and will be submitted for shareholders' approval.

28. 20 Interest income

	2024 RO'000	2023 RO'000
Banking and administrative service fees	**15,824**	13,767
Government contribution to banking and administrative service fees	**33,262**	30,868
Interest on inter-bank placements	**327**	395
	49,413	45,030

In accordance with article 6 of the Royal Decree 51/77 and the Royal Decree 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 in a form of subsidy.

29. 21 Interest expense

	2024 RO'000	2023 RO'000
Interest on customers' deposits	**8,184**	5,038
Interest on borrowings	**7,654**	8,205
Interest on due to banks	**1,729**	982
	17,567	14,225

30. 22 Other operating income

	2024 RO'000	2023 RO'000
Fees and commissions	**1,140**	1,116
Miscellaneous income	**4**	42
	1,144	1,158

31.

32. 23 Operating expenses

	2024 RO'000	2023 RO'000
Staff expenses	**7,375**	5,785
Information technology overhead	**910**	698
Fees and professional services	**574**	499
Building overhead	**401**	359
Communication and marketing	**216**	168
Board of Directors' fees and remuneration	**80**	42
Sundry expenses	**449**	211
	10,005	7,762

23.1 Staff expenses

	2024 RO'000	2023 RO'000
Salaries and allowances	**5,744**	4,552
Social insurance contribution	**553**	443
Other staff costs	**1,078**	790
	7,375	5,785

33. 24 Net impairment on financial assets

	2024 RO'000	2023 RO'000
ECL charge on mortgage loans	**1,174**	1,367
ECL reversal on other financial assets	**(2)**	(25)
	1,172	1,342

34. 25 Cash and cash equivalents

	2024 RO'000	2023 RO'000
Cash and balance with Central Bank of Oman (note 5)	**14,730**	15,082
Due from banks (note 6)	**19,084**	156
	33,814	15,238

35. 26 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 during the year. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

	2024 RO'000	2023 RO'000
Net profit for the year (RO'000)	21,910	21,706
Weighted average number of shares outstanding (shares'000)	100,000	100,000
Earnings per share - basic and diluted (RO)	0.219	0.217

36. 27 Mortgage loan commitments

	2024 RO'000	2023 RO'000
Mortgage loans - approved but not disbursed	52,168	40,823

37. 28 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 14 to 18.

a. 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:

	2024 RO'000	2023 RO'000
Debt	514,127	425,695
Equity	349,686	336,458
Debt to equity ratio	147.0%	126.5%

Debt includes due to banks, term deposits, call deposits and borrowings. Equity includes all the capital and reserves of the Bank.

b. Capital adequacy

Capital management is guided by the CBO through circular BM 1009 (Guidelines on BASEL II) and regulatory capital under BASEL III framework. Capital adequacy is calculated on quarterly intervals and reported to the CBO Banks are required to maintain minimum capital adequacy ratio including capital conservation buffer in accordance with CBO stipulated guidelines.

	2024 RO'000	2023 RO'000
Capital base		
Tier 1	328,812	316,287
Tier 2	4,316	3,597
Total capital base	333,128	319,884
Risk weighted assets		
Credit risk- on balance sheet items	316,772	282,341
Credit risk-off balance sheet items	4,102	3,411
Operational risk	59,344	54,934
Market risk	109,840	112,900
Total risk weighted assets	490,058	453,586
Capital adequacy ratio	67.98%	70.52%

3. 29 Related parties

The Bank's related parties include the Government of Sultanate of Oman - Ministry of Finance and Social Protection Fund, key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced by key management personnel or their close family members.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank and includes members of the Boards of Directors of the Bank.

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

Analysis of the related party transactions and balances with related parties of the Bank or their family members during the year is as follows:

	2024	2023
	RO'000	RO'000
Related party transactions		
Government - shareholder		
Government contribution to banking and administrative service fees (note 20)	**33,262**	30,868
Interest on loans from the Government of Oman	**3,715**	4,170
Share of Government contribution to banking and administrative service fees for ISKAN Program (note 29.2)*	**60**	-
Other shareholder		
Interest expense on term deposits from the shareholder	**2,023**	1,712
Term deposits from the shareholder	**(75,000)**	(76,839)
Directors		
Board of Directors' fees and remuneration (note 23)	**80**	42
Balance (due to) / due from related parties:		
Government - shareholder		
Loans from Government of Oman (note 12.1)	**(145,879)**	(146,107)
Receivable against Government contribution to banking and administrative service fees from mortgage loans	**2,915**	2,717

All loans to related parties are performing.

*This is the share of Government contribution to banking and administrative service fees from the ISKAN Program. Under the program, other Participating / Financing Banks have collaborated with Oman Housing Bank for providing housing finance to qualifying applicants. Oman Housing Bank is responsible to collate the monthly reporting returns from each Financing Bank and, calculate the subsidy payments due and request the subsidy payments from the Ministry of Finance (MOF) setting out all relevant calculations along with such request. The Bank is responsible to apportion the subsidy payments and pass on the payments to the Financing Banks during the month following the expiry of the relevant calendar quarter, after receiving the subsidy payments from the MOF.

Compensation of the key management personnel is as follows:

	2024	2023
	RO'000	RO'000
Salaries and allowances	**524**	487
Other benefits	**82**	50
	606	537

30 Risk management policies

Risk management is the process by which the Bank identifies key risks, obtains consistent, understandable risk measures and chooses which risks require reduction 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
- Currency 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.

30.1 Market risk

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

30.1.1 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. 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 statement of financial position as a result of mismatches in the re-pricing of interest rate sensitive financial assets and liabilities. The Bank's exposure to interest rate risk is shown below.

4. 30 Risk management policies (continued)

30.1 Market risk (continued)

30.1.1 Interest rate risk (continued)

	Annual effective rate	Up to 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Non-interest bearing	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024											
Assets											
Cash and balance with central bank		-	-	-	-	-	-	-	-	14,730	14,730
Due from banks	5.22	19,084	-	-	-	-	-	-	-	-	19,084
Mortgage loans	5.98	8,678	11,499	17,232	17,559	17,170	135,664	131,338	519,363	-	858,503
Property, equipment and software		-	-	-	-	-	-	-	-	4,357	4,357
Other assets		-	-	-	-	-	-	-	-	180	180
Total assets		27,762	11,499	17,232	17,559	17,170	135,664	131,338	519,363	19,267	896,854
Liabilities and equity											
Due to banks	5.61	15,004	15,586	502	-	-	-	-	-	-	31,092
Customers' deposits	5.03	3,188	22,428	36,915	51,696	22,196	32,309	15,428	40,977	-	225,137
Borrowings	2.81	3,701	4,563	-	4,112	-	16,448	16,448	208,800	20,000	274,072
Other liabilities		306	1,095	2,733	182	6,088	6,378	-	85	-	16,867
Total equity		-	-	8,764	-	-	-	-	-	340,922	349,686
Total liabilities and equity		22,199	43,672	48,914	55,990	28,284	55,135	31,876	249,862	360,922	896,854
Interest rate sensitivity gap		5,563	(32,173)	(31,682)	(38,431)	(11,114)	80,529	99,462	269,501	(341,655)	
Cumulative gap		5,563	(26,610)	(58,292)	(96,723)	(107,837)	(27,308)	72,154	341,655	-	

5. 30 Risk management policies (continued)

30.1 Market risk (continued)

30.1.1 Interest rate risk (continued)

	Interest Rate	Up to 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Non-interest bearing	Total
	%	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2023											
Assets											
Cash and balance with central bank		-	-	-	-	-	-	-	-	15,082	15,082
Due from banks		-	-	-	-	-	-	-	-	156	156
Mortgage loans	5.96	7,838	10,221	15,315	15,280	16,246	120,467	116,88	470,449	-	772,704
Property, equipment and software		-	-	-	-	-	-	-	-	3,476	3,476
Other assets		-	-	-	-	-	-	-	-	211	211
Total assets		7,838	10,221	15,315	15,280	16,246	120,467	116,88	470,449	18,925	791,629
Liabilities and equity											
Due to banks	3.86	10,098	-	-	-	25,000	-	-	-	-	35,098
Customers' deposits	4.00	3,882	3,318	30,310	31,894	3,868	15,666	29,524	6,473	-	124,935
Borrowings	2.84	6,137	1,400	-	2,650	-	22,210	16,473	211,497	20,000	280,367
Other liabilities		-	-	-	-	-	-	-	-	14,771	14,771
Total equity		-	-	8,682	-	-	-	-	-	327,776	336,456
Total liabilities and equity		20,117	4,718	38,992	34,544	28,868	37,876	45,997	217,970	362,547	791,629
Interest rate sensitivity gap		(12,279)	5,503	(23,677)	(19,264)	(12,622)	82,591	70,891	252,479	(343,622)	
Cumulative gap		(12,279)	(6,776)	(30,453)	(49,717)	(62,339)	20,252	91,143	343,622	-	

6. 30 Risk management policies (continued)

30.2 Currency risk

Currency risk arises as a result of fluctuations in the value of a financial instruments due to changes in foreign exchange rate. Bank does not hold foreign currency or any other foreign currency investment. However, the Bank has a borrowing in KWD. Therefore, changes in the KWD affect the statement of comprehensive income of the Bank.

A change in the KWD by +1 / -1% will increase / decrease the profit of the Bank by RO 1,098115,as at 31 December 2024 (2023 - RO 1,128,998).

During the year, the Bank made an unrealized exchange gain of RO 299 thousand (2023 - unrealized exchange loss of RO 665 thousand).

30.3 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customer, client or market counter parties fail to fulfil their contractual obligations to the Bank. 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.

30.3.1 Credit risk measurement

Mortgage loans

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of financial assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using PD, EAD and LGD.

30.3.2 Expected credit loss measurement

IFRS 9 outline a 'three stage models' for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired on initial recognition is classified in 'Stage 1 and has its credit risk continuously monitored by the Bank.
- If a Significant Increase in Credit Risk ('SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2 but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

ECL calculation methodology has been defined in detail in note 2.2.7 to these financial statements.

30.3.3 Maximum exposure to credit risk financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments, including mortgage loan commitments for which an ECL allowance is required to be calculated. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on the financial instruments of the Bank.

7. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.3 Maximum exposure to credit risk financial instruments subject to impairment (continued)

Mortgage loans

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Credit grade				
Standard	**859,294**	**2,930**	**-**	**862,224**
Special mention	**-**	**744**	**-**	**744**
Substandard	**-**	**-**	**803**	**803**
Doubtful	**-**	**-**	**980**	**980**
Loss	**-**	**-**	**2,943**	**2,943**
Gross carrying amount	**859,294**	**3,674**	**4,726**	**867,694**
Loss allowance	**(4,216)**	**(1,671)**	**(3,001)**	**(8,888)**
Reserved interest (note 7.1)	**-**	**(5)**	**(298)**	**(303)**
Net carrying amount	**855,078**	**1,998**	**1,427**	**858,503**

	2023			
	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000
Credit grade				
Standard	775,447	335	-	775,782
Special mention	-	297	-	297
Substandard	-	-	755	755
Doubtful	-	-	820	820
Loss	-	-	3,090	3,090
Gross carrying amount	775,447	632	4,665	780,744
Loss allowance	(4,607)	(213)	(2,894)	(7,714)
Reserved interest (note 7.1)	-	(1)	(325)	(326)
Net carrying amount	770,840	418	1,446	772,704

Undrawn mortgage loan commitments

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Commitments	**52,022**	**138**	**8**	**52,168**

	2023			
	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000
Commitments	40,814	-	9	40,823

8. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.3 Maximum exposure to credit risk financial instruments subject to impairment (continued)

Other financial assets

	2024		
	Gross	**ECL Provision**	**Net**
	RO'000	**RO'000**	**RO'000**
Balance with Central Bank	**14,535**	**-**	**14,535**
Due from banks	**19,084**	**-**	**19,084**
	33,619	**-**	**33,619**

	2023		
	Gross	ECL Provision	Net
	RO'000	RO'000	RO'000
Balance with Central Bank	15,020	-	14,862
Due from banks	158	(2)	156
	15,178	(2)	15,018

Due from Banks

The table below presents an analysis of balances with commercial banks as at the year end:

	2024	2023
	RO'000	RO'000
Ba1	**26**	59
Baa3	**15,000**	-
Ba2	**58**	99
Unrated	**4,000**	-
	19,084	158

There is no known past history of defaults for the balances with unrated banks as these are local reputed banks which the bank has been dealing for past many years.

30.3.4 Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for housing loans advanced. The Bank has internal policies on the acceptability of specific classes of collateral for credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral type for loans and advances is mortgages over residential properties.

The portion of the Bank's financial instruments originated by the mortgage business has sufficiently low loan to value (LTV) ratios, which result in low loss allowances being recognised in accordance with the Bank's expected credit loss model.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it become more likely that the bank will take procession of collateral to mitigate potential credit losses.

9. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.4 Collateral and other credit enhancements (continued)

	2024 RO'000	2023 RO'000
Mortgage credit-impaired assets		
Gross exposure	4,726	4,665
Expected credit losses	(3,001)	(2,894)
Net exposure	1,725	1,771
Fair value of collateral held	6,877	7,467

The following table shows the distribution of LTV ratios for the Bank's mortgage credit-impaired assets:

Mortgage portfolio LTV distribution

	2024 RO'000	2023 RO'000
Lower than 50%	1,046	1,164
50 to 60%	665	728
61 to 70%	799	752
71 to 80%	744	815
81% to 90%	951	895
91 to 100%	104	98
Higher than 100%	417	213
Gross carrying amount	4,726	4,665

30.3.5 Loss allowance

- Transfers between stage 1 and stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the year, and the consequent up-grading (or down-grading) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the year, as well as releases for financial instruments de-recognised during the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the year, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets fully or partially derecognised during the year; and
- Write-offs of allowances related to financial assets that were written off during the year.

The following tables reconciles the loss allowance between the beginning and the end of the year:

10. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.5 Loss allowance (continued)

Mortgage loans including loan commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**
ECL as at 1 January 2024	**4,607**	**214**	**3,219**	**8,040**
Movements during the year				
Transfers between stages	**(132)**	**(342)**	**474**	**-**
Net impairment charge / reversal for the year	**(259)**	**1,804**	**(333)**	**1,212**
Amount written off	**-**	**-**	**(61)**	**(61)**
Loss allowance as at 31 December 2024	**4,216**	**1,676**	**3,299**	**9,191**

Mortgage loans including loan commitments	Stage 1	Stage 2	Stage 3	Total
	RO'000	RO'000	RO'000	RO'000
ECL as at 1 January 2023	2,573	473	3,696	6,742
Movements during the year				
Transfers between stages	50	(514)	464	-
Net impairment charge for the year	1,984	255	(857)	1,382
Amount written off	-	-	(84)	(84)
Loss allowance as at 31 December 2023	4,607	214	3,219	8,040

30.3.6 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

11. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.7 Comparison of provision held as per IFRS 9 and required as per CBO norms for mortgage loans, including commitments

As at 31 December 2024									
Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO and IFRS 9	Net Carrying Amount as as per CBO Norms	Net Carrying Amount as as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO Norms
1	2	3	4	5	6=4-5	7=3-4-10	8=3-5	9	10
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Standard	Stage 1	856,379	17,126	4,034	13,092	839,253	852,345	49,086	-
	Stage 2	2,930	58	1,265	(1,207)	2,872	1,665	-	-
	Stage 3	-	-	-	-	-	-	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	744	15	337	(322)	724	407	-	5
	Stage 3	-	-	-	-	-	-	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	803	199	483	(284)	596	320	-	8
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	980	274	573	(299)	693	407	-	13
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,943	1,038	2,234	(1,196)	1,628	709	-	277
Other items not covered under CBO	Stage 1	52,106	-	182	(182)	52,106	51,924	327	-
	Stage 2	138	-	74	(74)	138	64	-	-
	Stage 3	9	-	9	(9)	9	-	-	-
Total	Stage 1	908,485	17,126	4,216	12,910	891,359	904,269	49,413	-
	Stage 2	3,812	73	1,676	(1,603)	3,734	2,136	-	5
	Stage 3	4,736	1,511	3,299	(1,788)	2,926	1,436	-	298
	Total	917,032	18,710	9,191	9,519	898,019	907,841	49,413	303

12. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.7 Comparison of provision held as per IFRS 9 and required as per CBO norms for mortgage loans, including commitments (continued)

As at 31 December 2023

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO and IFRS 9	Net Carrying Amount as as per CBO Norms	Net Carrying Amount as as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO Norms
1	2	3	4	5	6=4-5	7=3-4-10	8=3-5	9	10
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Standard	Stage 1	772,730	15,454	4,462	10,992	757,276	768,268	44,635	-
	Stage 2	335	7	91	(84)	328	244	-	-
	Stage 3	-	-	-	-	-	-	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	297	6	123	(116)	290	174	-	1
	Stage 3	-	-	-	-	-	-	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	755	187	440	(247)	562	315	-	6
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	820	216	441	(215)	594	379	-	10
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,090	1,048	2,331	(974)	1,733	759	-	309
Other items not covered under CBO	Stage 1	58,551	-	147	(147)	58,551	58,404	395	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	9	-	7	(7)	9	2	-	-
Total	Stage 1	831,281	15,454	4,609	10,845	815,827	826,672	45,030	-
	Stage 2	632	13	214	(200)	618	418	-	1
	Stage 3	4,674	1,451	3,219	(1,443)	2,898	1,455	-	325
	Total	836,587	16,918	8,042	9,202	819,343	828,545	45,030	326

13. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.8 Mortgage loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrowers financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favourable to the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayments or write-off.

2024 Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO and IFRS 9	Net Carrying Amount as as per CBO Norms	Net Carrying Amount as as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO Norms
1	2	3	4	5	6=4-5	7=3-4-10	8=3-5-10	9	10
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Classified as performing	Stage 1	57,333	1,147	200	947	56,186	57,133	-	-
	Stage 2	2,459	49	1,189	(1,140)	2,410	1,270	-	-
	Stage 3	-	-	-	-	-	-	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	212	70	147	(77)	134	57	-	8
	Stage 1	57,333	1,147	200	947	56,186	57,133	-	-
	Stage 2	2,459	49	1,189	(1,140)	2,410	1,270	-	-
	Stage 3	212	70	147	(77)	134	57	-	8
Total	**Total**	60,004	1,266	1,536	(270)	58,730	58,460	-	8

14. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.8 Mortgage loans with renegotiated terms (continued)

2023

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO and IFRS 9	Net Carrying Amount as as per CBO Norms	Net Carrying Amount as as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO Norms
1	2	3	4	5	6=4-5	7=3-4-10	8=3-5-10	9	10
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Classified as performing	Stage 1	54,410	1,088	190	898	53,322	54,220	-	-
	Stage 2	174	3	40	(37)	171	134	-	-
	Stage 3	-	-	-	-	-	-	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	361	92	248	(146)	259	103	-	10
	Stage 1	54,410	1,088	190	898	53,322	54,220	-	-
	Stage 2	174	3	40	(37)	171	134	-	-
	Stage 3	361	92	248	(146)	259	103	-	10
Total	Total	54,945	1,183	478	705	53,752	54,457	-	10

15. 30 Risk management policies (continued)

30.3 Credit risk (continued)

30.3.9 Impairment allowance and loss on mortgage loans

a. Mortgage loans and other assets

	as per CBO norms		As per IFRS 9		Difference	
	2024	2023	**2024**	2023	**2024**	2023
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
Provision required as per CBO norms/ held as per IFRS 9	**19,013**	17,244	**9,191**	**8,042**	**(9,822)**	(9,202)
Gross NPL ratio %	**0.52%**	0.56%	**0.52%**	**0.82%**	**0.00%**	0.00%
Net NPL ratio %	**0.33%**	0.35%	**0.16%**	**0.33%**	**(0.17%)**	-0.21%

30.4 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 on a regular basis.

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

The maturity profile of assets and liabilities is set out below.

The amounts disclose in table below analyse the Bank's assets and liabilities as on 31 December 2024 into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

2. 30 Risk management policies (continued)

30.4 Liquidity risk (continued)

The amounts disclose in table below analyse the Bank's assets and liabilities as on 31 December 2024 into relevant maturity groupings based on the remaining period at the reporting date.

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024									
Assets									
Cash and balance with central bank	14,730	-	-	-	-	-	-	-	14,730
Due from banks	19,084	-	-	-	-	-	-	-	19,084
Mortgage loans	8,678	11,499	17,232	17,559	17,170	135,664	131,338	519,363	858,503
Property, equipment and software	-	-	44	-	801	-	-	3,512	4,357
Other assets	7	-	157	16	-	-	-	-	180
Total assets	42,492	11,499	17,433	17,575	17,971	135,664	131,338	522,875	896,854
Liabilities and equity									
Due to banks	15,004	15,586	502	-	-	-	-	-	31,092
Customers' deposits	3,188	22,428	36,915	51,696	22,196	32,309	15,428	40,977	225,137
Borrowings	3,701	4,563	-	4,112	-	16,448	16,448	228,800	274,072
Other liabilities	306	1,095	2,733	182	6,088	6,378	-	85	16,867
Total equity	-	-	8,764	-	-	-	-	340,922	349,686
Total liabilities and equity	22,199	43,672	48,914	55,990	28,284	55,135	31,876	610,784	896,854
Net liquidity gap	20,300	(32,173)	(31,481)	(38,415)	(10,313)	80,529	99,462	(87,909)	-
Cumulative liquidity gap	20,300	(11,873)	(43,354)	(81,769)	(92,082)	(11,553)	87,909	-	-

3. 30 Risk management policies (continued)

30.4 Liquidity risk (continued)

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2023									
Assets									
Cash and balance with central bank	15,082	-	-	-	-	-	-	-	15,082
Due from banks	156	-	-	-	-	-	-	-	156
Mortgage loans	7,838	10,221	15,315	15,280	16,246	120,467	116,888	470,449	772,704
Property, equipment and software	-	-	-	-	-	-	-	3,476	3,476
Other assets	-	-	195	16	-	-	-	-	211
Total assets	23,076	10,221	15,510	15,296	16,246	120,467	116,888	473,925	791,629
Liabilities and equity									
Due to banks	10,098	-	-	-	25,000	-	-	-	35,098
Customers' deposits	3,882	3,318	30,310	31,894	3,868	15,666	29,524	6,473	124,935
Borrowings	6,137	1,400	-	2,650	-	22,210	16,473	231,497	280,367
Other liabilities	1,253	1,621	737	950	3,906	6,237	-	67	14,771
Total equity	-	-	8,682	-	-	-	-	327,776	336,458
Total liabilities and equity	21,370	6,339	39,729	35,494	32,774	44,113	45,997	565,813	791,629
Net liquidity gap	1,706	3,882	(24,219)	(20,198)	(16,528)	76,354	70,891	(91,888)	-
Cumulative liquidity gap	1,706	5,588	(18,631)	(38,829)	(55,357)	20,997	91,888	-	-

4. 30 Risk management policies (continued)

30.4 Liquidity risk (continued)

The tables below analyses the Bank's financial liabilities into relevant maturity groupings based on their contractual maturities.

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2024									
Financial liabilities									
Due to banks	15,004	15,586	502	-	-	-	-	-	31,092
Customers' deposits	3,906	23,756	38,635	52,538	22,567	32,368	15,428	40,977	230,175
Borrowings	4,172	6,236	-	9,889	-	30,663	29,247	286,211	366,418
Other liabilities	306	1,095	2,733	182	6,088	6,378	-	85	16,867

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2023									
Financial liabilities									
Due to banks	10,098	-	-	-	25,000	-	-	-	35,098
Customers' deposits	3,933	3,470	30,590	32,291	4,304	16,192	30,051	7,000	127,831
Borrowings	6,683	3,108	-	8,554	-	37,508	29,853	294,468	380,174
Other liabilities	1,968	1,007	869	73	4,747	6,040	-	67	14,771

5.

6. 31 Financial assets and liabilities

All financial assets and financial liabilities are measured at amortised cost.

7. 32 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 loans have associated risks and returns which are similar and operates only within Sultanate of Oman, the directors consider all mortgage loans to be a single business. Accordingly, there is only one segment.

8. 33 Taxation

In accordance with the Royal Decree 51/77 and Royal Decree 36/2010 the Bank is exempt from income tax.

9. 34 Net debt reconciliation

	2024	2023
	RO'000	RO'000
Cash and cash equivalents	33,814	15,238
Borrowings - repayable within one year	(180,000)	(118,557)
Borrowings - repayable after one year	(350,301)	(321,843)
Net debt	(496,487)	(425,162)

	2024	2023
	RO'000	RO'000
Cash and cash equivalents	33,814	15,238
Government debt - interest free	(20,000)	(20,000)
Gross debt - fixed interest rates	(510,301)	(420,400)
Net debt	(496,487)	(425,162)

	Liabilities from financing activities			
	Cash	Borrowings due within 1 year	Borrowings due after 1 year	Total
	RO'000	RO'000	RO'000	RO'000
Net debt as at 1 January 2023	30,450	(85,435)	(305,423)	(360,408)
Cash flows, net	(15,212)	(33,122)	(16,420)	(64,754)
Net debt as at 31 December 2023	15,238	(118,557)	(321,843)	(425,162)
Cash flows, net	18,576	(61,443)	(28,458)	(71,325)
Net debt as at 31 December 2024	**33,814**	**(180,000)**	**(350,301)**	**(496,487)**

Borrowing of the banks consist of due to banks, customers' deposits and other borrowings.

10. 35 Fiduciary activities

Assets held in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

The Bank has entered into an agreement with the Ministry of Housing and Urban Planning ("MOHUP") and the Ministry of Finance ("MOF"), where the Bank has agreed to take on loan portfolio issued by the MOHUP in a fiduciary capacity. The Bank collects repayments made on the loans from borrowers and reports to the MOF. The Bank earns 1% of the collected amount as management fees for this fiduciary activities, and pays the remaining amount to the MOF.

For the year ended 31 December 2024, the Bank did not recognize any income from this activity as the contract has not been ratified as at the 31 December 2024.

11. 36 Restatement of certain financial statement line items

During the year, management has re-evaluated the accounting treatment and presentation of certain transactions and balances in the statement of financial position, statement of comprehensive income and the statement of cash flows. Where necessary, changes in presentation were made in accordance with IAS 1 - Financial Statement Presentation (“IAS 1”) and IAS 8 - Accounting policies, changes in accounting estimates and errors (“IAS 8”).

a. Restatement of the financial position

The following changes were made to the comparatives:

1. Accrued interest expenses accrued on amounts due to the Government of the Sultanate of Oman, Arab Fund for Economic and Social Development, due to banks and customers’ deposits was previously presented as other liabilities in the Statement of Financial Position. Accordingly, RO 7.497 million (1 January 2023 - RO 6.907 million) was reclassified from other liabilities to respective line items in the statement of financial position.
2. Accrued interest income receivable from Government of Oman on mortgage loans was previously presented as other assets in the Statement of Financial Position. Accordingly, RO 2.717 million (1 January 2023 - RO 2.470 million) was reclassified from other assets to the mortgage loans line item.
3. Short term deposits with banks were previously presented as term deposits and were not classified under cash and cash equivalents within the statement of cash flows. These deposits have an original maturity of three months or less, therefore these need to be classified as cash equivalents in the statement of cash flows. As such, the deposits with a short-term original maturity of less than 3 months have been accordingly presented as due from banks in the statement of financial position and as cash equivalents in the statement of cash flows.
4. Nostro balances with banks were previously presented as cash and bank balances in the statement of financial position. To improve the quality of information presented the management has reclassified the balances to due from banks.
5. Loans from the Arab Fund for Economic and Social Development, Government of Oman and a bank were previously presented in the statement of financial position as separate financial statement line items. To improve the quality of information presented the management has aggregated the balances and shown as borrowings in the statement of financial position.

Below is the impact of the reclassification:

Account description	Previously reported balances at 31 December 2023	Restatement adjustments	Restated balance at 31 December 2023
	RO’000	RO’000	RO’000
Statement of financial position			
Cash and bank balances (3 & 4)	15,238	(15,238)	-
Cash and balance with Central Bank of Oman (3)	-	15,082	15,082
Due from banks (4)	-	156	156
Mortgage loan accounts (2)	769,987	2,717	772,704
Other assets (2)	2,928	(2,717)	211
Due to banks (1)	35,000	98	35,098
Customers’ deposits (1)	122,423	2,512	124,935
Borrowings (5)	-	280,367	280,367
Loan from the Arab Fund for Economic and Social Development (1 & 5)	112,900	(112,900)	-
Loan from a bank (1 & 5)	18,750	(18,750)	-
Loans from Government of Oman (1 & 5)	143,830	(143,830)	-
Other liabilities (1)	22,268	(7,497)	14,771

6. 36 Restatement of certain financial statement line items (continued)

b. Restatement of the statement of cash flows

Below is the impact of the above restatements on the statement of cash flows:

Account description	Previously reported 31 December 2023	Restatement adjustments	Restated 31 December 2023
	RO'000	RO'000	RO'000
Operating activities			
Adjustments			
Net adjustment for interest accrued on government loans, Arab Fund loan and loan from a bank (1)	-	(493)	(493)
Operating profit before changes in working capital	24,094	(493)	23,601
Changes in working capital			
Term deposit (3)	25,987	(25,987)	-
Mortgage loan accounts (2)	(78,363)	(247)	(78,610)
Other assets (2)	(304)	247	(57)
Due to banks (1)	15,000	(377)	14,623
Customers' deposits (1)	31,647	1,459	33,106
Other liabilities (1)	4,151	(589)	3,562
Net cash used in operating activities	22,212	(25,987)	(3,775)
Financing activities			
Borrowings repaid (5)	-	(5,267)	(5,267)
Net movement of loan from the Arab Fund for Economic and Social Development (5)	(2,767)	2,767	-
Loan from / repaid to a bank (5)	(2,500)	2,500	-
Net change in cash and cash equivalents	10,775	(25,987)	(15,212)
Cash and cash equivalents at the beginning of the year (3)	4,463	25,987	30,450

Interest paid during the year was RO 16.803 million (2023: RO 13.634 million). This is part of operating cash flows of the Company. (6)

The above restatements have no effect on the statement of changes in equity