



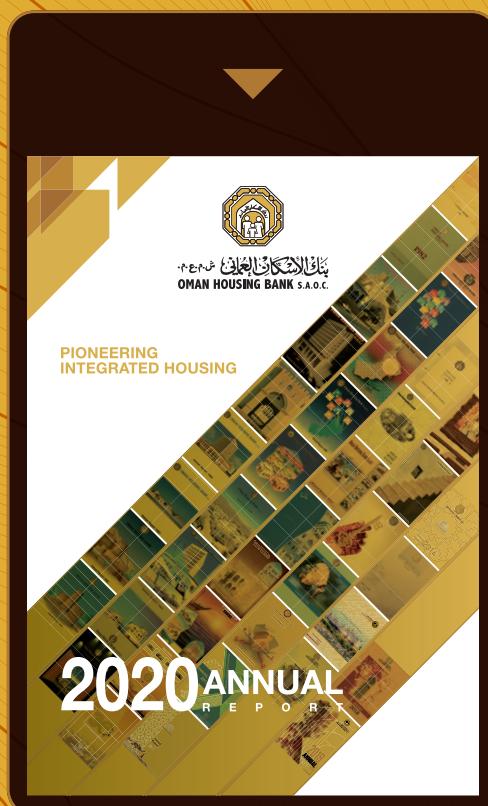
بنك الإسكان العماني ش.م.ع.
OMAN HOUSING BANK S.A.O.C.

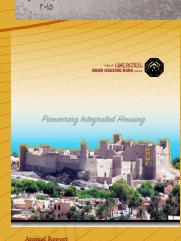
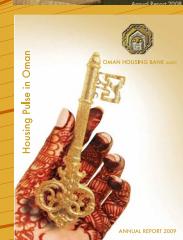
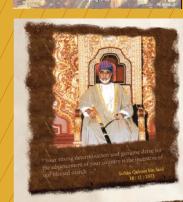
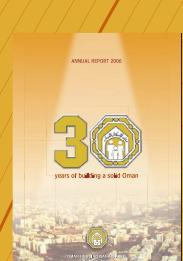
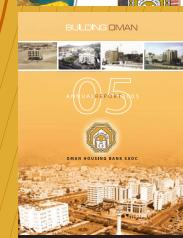
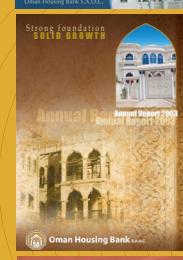
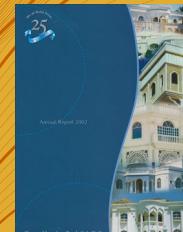
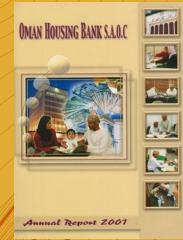
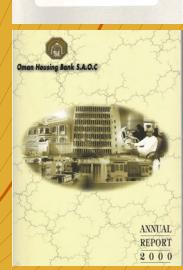
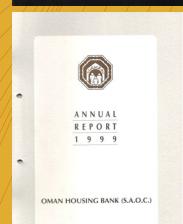
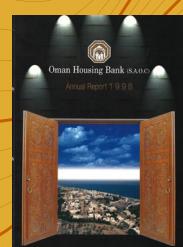
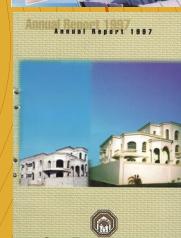
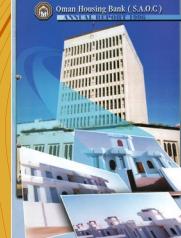
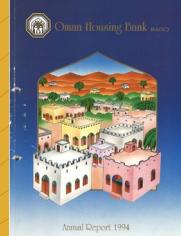
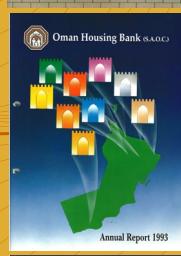
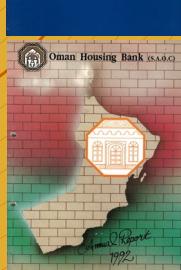
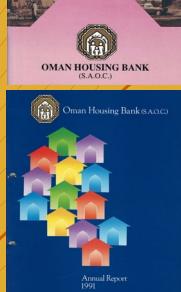
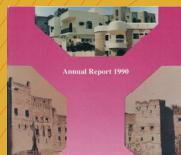
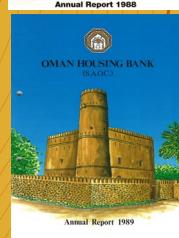
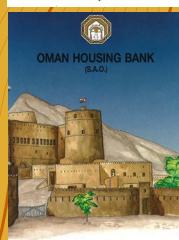
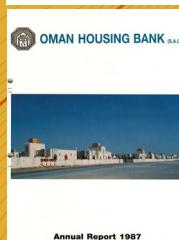
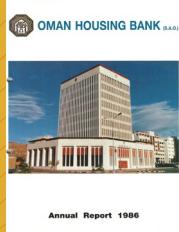
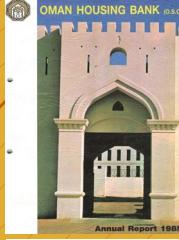
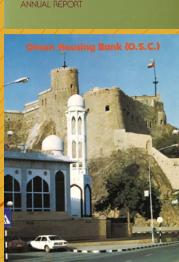
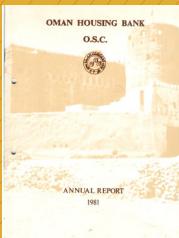
PIONEERING
INTEGRATED HOUSING

2020 ANNUAL
REPORT

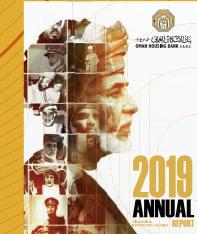
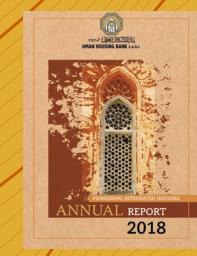


بنك الإسكان العُماني ش.م.ع.م.
OMAN HOUSING BANK S.A.O.C.





Annual Report 2016





His Majesty Sultan Haitham Bin Tariq



“ We stand today with firm invincible will on the threshold of a vital stage of development and nation building. It is a stage which you all have participated in drawing out its prospects in **Oman 2040 Vision**, and contributed to devising its economic, social and cultural goals, in a manner that embodies a clear-cut vision, great expectation towards a more prosperous future. We are all aware of the challenges imposed by the current global conditions, and their implications to the region and to us, since we are part of this world, influencing it and are influenced by it. ”

From His Majesty's Royal Speech
23 February 2020

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2020

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Vision

Pioneering Integrated Housing.

Mission

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

Board of Director's Report 2020

Dear Shareholders
After compliments,



I welcome you most warmly, and I am pleased to present to you, on my behalf and on behalf of my fellow Board members, the annual report on the bank's business results, achievements and financial statements for the year ending on 12/31/2020.

Since the establishment of the Bank, it has been working on developing its business and services and enhancing its existence in the housing sector. In this context, the Board is pleased to inform you that the Bank was able to achieve the goals it set in its budget for the mentioned year, whether at the level of lending or in terms of strengthening the financial position of the Bank, and many Achievements during the year as shown in the report.



Salam bin Saeed Al-Shaksi

Chairman of The Board of Directors

Lending Activity

During the year, thanks to the continuous support provided by the rational government, the Bank was able to continue providing subsidized loans to citizens as follows:

The number of approved loans amounted to 904 loans worth 39,993,100 million Omani riyals until the end of 2020. The Bank also sought to deliver its services to the various governorates of the Sultanate, especially the areas outside the Governorate of Muscat, where the number of loans granted to citizens in the governorates outside the Governorate of Muscat reached 724 loans. With a total value of approximately 31.5 million Omani riyals, representing 79% of the total lending activity.



The following table shows the loans granted with a subsidized fee, distributed according to the bank's branches located in the various governorates and states of the Sultanate between 2020 and 2019.

Branches	Approved loans With a subsidized fee during the year 2020				Approved loans With a subsidized fee during the year 2019			
	No	%	Amount (R.O.)	%	No	%	Amount (R.O.)	%
Main Office	180	20	8,485,900	21	242	17	10,742,100	18
Salalah	39	4	1,691,400	4	31	2	1,546,300	3
Sohar	97	11	4,083,000	10	202	15	8,082,500	13
Sur	71	8	3,276,100	8	124	9	5,378,600	9
Nizwa	128	14	5,625,700	14	204	15	8,948,300	15
Khasab	37	4	1,836,700	5	28	2	1,436,300	2
Buraimi	60	7	2,651,100	7	116	8	5,143,500	9
Rustaq	235	26	9,996,100	25	366	26	15,494,900	26
Ibra	57	6	2,347,100	6	80	6	3,296,500	5
Total	904	100	39,993,100	100	1393	100	60,069,000	100

The total subsidized loans provided by the bank to citizens since its establishment in 1977 until the end of 2020 at the level of the bank's branches located in the various governorates and states of the Sultanate amounted to 46,605 loans with a total value of more than one billion Omani riyals, including 17,793 loans to the Governorate of Muscat. With a total value of around OMR 405.5 million, 38% of the total number of loans and 34% of their value.

As for the number of subsidized loans granted to citizens in areas outside the Governorate of Muscat, it reached 28812 loans with a total value of 783 million Omani riyals, i.e. 62% of the total number of loans granted and 66% of their value, as shown in the following table:

Branches	Approved loans With a subsidized fee during the year 2020			
	No	%	Amount (R.O.)	%
Main Office	17793	38	405,490,591	34
Salalah	4845	10	101,123,451	8
Sohar	4657	10	119,374,142	10
Sur	3087	7	79,294,796	7
Nizwa	5138	11	147,102,252	12
Khasab	866	2	23,764,100	2
Buraimi	1795	4	55,468,355	5
Rustaq	5997	13	189933000	16
Ibra	2427	5	66,734,300	6
Total	46605	100	1,188,284,987	100

In view of the huge demand for subsidized borrowing - after approving the new structure for the banking and administrative services fee - the Bank decided to allocate all its available resources for lending to be limited to subsidized loans only.

Financial Results

As for the financial results, and by reviewing the balance sheet figures for the fiscal year ending on December 31, 2020, it is clear that the bank achieved positive results by recording good growth rates in most of the financial indicators, as the bank's total assets increased at the end of the year 2020 to reach 610.3 million Omani riyals compared to 591.9 million Omani riyals at the end of 2019, an increase of 3.1%.

The growth in assets was mainly based on the rise in the housing loan portfolio, where the total loan portfolio rose on 31/12/2020 to reach OMR 580 million, compared to OMR 569.5 million at the end of the previous year, a growth rate of 1.8 %.

The bank achieved a net profit of 17.9 million Omani riyals, a relative increase of 6.5% over the profits of 2019, amounting to 16.8 million riyals, mainly due to the increase in government support and fees for banking and administrative services as a result of the increase in the bank's housing loan portfolio over In 2019, the bank will be at the forefront of the major banks operating in the Sultanate in terms of profit growth, and total shareholders' equity increased to OMR 291.1 million, compared to OMR 279.2 million at the end of the previous year, with an increase of 4.2%. This increase is due to the increase in capital, reserves and retained earnings.

The following table shows the status of the most important financial indicators during the past five years from 2016 to 2020:

Particulars	2016	2017	2018	2019	2020
Net Profit	13,8	13,2	13,9	16,8	17,92
Total Assets	446,8	502,1	570,2	591,9	610,3
Total Liabilities	205,3	251,5	303,3	312,7	319,2
Total Net Loans	420,8	476,2	539,5	569,5	580
Total Shareholders Equity	241,5	250,6	267	279,2	291,1

The bank focuses on developing its assets while maintaining the quality and durability of assets to enhance the bank's financial position so that it can achieve its goals with the required effectiveness. The Board of Directors proposes to distribute net profits for the year 2020 AD to shareholders as follows:-

Net Profit for Year 2020 (in RO millions)	
Net Profit Distributions	
Transfer of an amount to the legal reserve (at the rate of 10% of the net profit)	1,792
Amount Transferred To The Special Reserve	3,225
Distribution of cash dividends to shareholders (6% of the paid-up capital)	6,000
Transfer of retained earnings	6,901
Total net profit for the year	17,918

In terms of qualification and training, the Bank organized 6 courses in various fields during the year inside and outside the Sultanate, with 40 participants, and the rate of training programs decreased from 2019 due to the conditions resulting from the spread of the Corona pandemic, and the continuation of qualification and training will enhance the capabilities of the employees to enable them to perform the duties and responsibilities entrusted to them in the required manner. The percentage of Omanis working in the bank reached about 99% of the total number of employees, and thus it is considered among the leading banks operating in the Sultanate in achieving this percentage.

The Board looks forward to achieving more achievements in various areas of the Bank's operations by preparing a strategic plan for the Bank for the period 2022-2025, provided that the plan takes into account diversification of sources of funding and income and a reduction in government support in line with the government's development plans and achieving the Bank's lofty mission in providing housing Suitable for Omani families who need housing.

In conclusion, the Bank's Board of Directors extends its highest thanks and gratitude to His Majesty Sultan Haitham bin Tariq, may God protect him, for his noble directives to raise the annual allocation for lending during the year 2021 AD to 100 million Omani riyals. Thanks are due to the rational government for the continuous support it provides to the bank to enable it to continue providing its services to citizens with ease and ease.



Oman Housing Bank Board of Directors

The Board also extends its sincere thanks to the Oman Investment Authority and the Central Bank of Oman and to all ministries, institutions and governmental and private bodies for their sincere and sincere cooperation with the Bank in order to accomplish its tasks and duties, as well as thanks and appreciation to the Bank's employees for their dedication, sincerity and efforts they made to serve and advance this institution.

May God help us and you to do more to serve our beloved Oman under the wise leadership of our Lord, His Majesty Sultan Haitham bin Tariq, may God protect him, and we pray to God Almighty to grant His Majesty good health, wellness and long life, and the Omani people with goodness and prosperity.

Peace, mercy and blessings of God ,,,

Salam bin Saeed bin Salem Al Shaqsi
Chairman of the Bank's Board of Directors

Chief Executive Officer Statement

My warmest greetings to you all...

After compliments.

The achievements and successes follow year after year, and with each achievement and success the importance of the social role played by the Oman Housing Bank emerges, until it became the pioneer in supporting the housing and construction movement in the Sultanate, not only because of the competencies and experiences that grew and formed in the bank, but also the combination of those competencies and experiences with the aspired lofty goal has formed an ideal model that is ideal. The goal of extending a helping hand to citizens in providing them with adequate housing for themselves and their families is one of the first concerns of our rational government and its wise leadership.



Adnan Haider Darwish

Chief Executive Officer

We are moving towards excellence in achieving the goals for which the bank was established, at a steady and deliberate pace, and we advance the honor of serving the country by serving the citizen. We are keen to develop the level of service provision more and more by developing modern mechanisms and channels as windows for the services provided by the bank and by developing the competencies and professional capabilities of human cadres In the Bank, which we consider one of our most important assets that have effectively contributed to the success of our development process by achieving lofty development goals.

The bank continued its activity with diligence and interest in providing subsidized housing loans, and it showed clear progress in its operational results, as the bank's assets grew remarkably by 3.1% compared to the results of 2019, which reflects the bank's ability to optimally utilize financial resources and employ them properly. The total loans for which the bank issued its approval during this year amounted to RO 40.2 million, and the size of its lending portfolio increased to about RO 580.1 million, representing a growth rate of approximately 10.9 percent compared to the situation achieved at the end of 2019.



With regard to receiving new loan applications, the number of applications received during this year reached more than 3,899 applications, with a total value of more than 188.7 million riyals, which reflects the extent of the growing demand for housing loans year after year. In addition to this increase in the receipt of applications, the bank controls the quality of the loans it offers in order to preserve the rights of shareholders, as the portfolio of non-performing loans has reached its lowest levels, due to the exceptional efforts exerted in following up and monitoring the progress of the collection process and limiting it. On the other hand, the capital adequacy ratio far exceeds the requirements of the regulatory authorities, as this ratio increased to reach 78.8%, which indicates the strength of the bank's financial position. The bank also achieved an increase in its net profits for this year by up to 6.7% percent compared to the results of 2019, reaching the amount of net profit to 17.92 million riyals, exceeding the net profit in 2019 which amounted to 16.8 million riyals.

The wheel of national development is accelerating year after year, and with it the pivotal role of the Bank in advancing the development of the housing and construction sector is growing, which directly and positively affects the development of all other sectors in our dear country. Since the establishment of the Bank, nearly 46.6 thousand loans have been granted with a total amount It amounts to 1.19 billion riyals.

These successful financial results came as a result of the advanced administrative and operational system that manages the bank, along with the sound guidance of the board of directors and shareholders. The improvements and developments introduced in all the bank's business had a tangible impact in achieving good results. We will follow this advanced approach that keeps pace with continuous progress to ensure continuity of performance.

Today, we see that many things have changed from what they were in the past years, so we moved little by little from the simplicity of resources and work mechanisms to the development of these resources and the speed of work mechanisms as a result of the scientific progress witnessed by the world. Banking services became more extensive than before, keeping pace with the aspirations of customers in serving them with banking services at very high levels and through various electronic channels that operate all hours of the day and seven days a week, and we at the Housing Bank are also in a state of continuous readiness and keeping pace with this development, which would maintain the level of distinguished performance and gain the confidence of dealers with the bank and maintain Outstanding growth rates.

The Bank continuously seeks to comply with the requirements of the official internal and external supervisory authorities, and to adhere to the policies and standard standards of banking services for Oman Housing Bank. The Bank pays special attention to upgrading its risk management system in accordance with the laws and limits set by the Central Bank of Oman and other official authorities for Omani banks in compliance with the rules and regulations Prepared for this purpose, and also in line with the requirements of risk management in order to avoid any risks that may arise as a result of various banking operations, and in line with the aspirations of customers for the level of high-end banking services, and in a way that covers the aspirations of shareholders and their investments in the bank, and in accordance with the rules of corporate governance and the best banking standards.

In conclusion, I cannot but extend my heartfelt thanks to the wise government for the continuous support of the Bank, which has contributed substantially to the process of owning a large segment of citizens of housing for them and their families. I am also pleased to extend my deepest thanks to the Honorable Chairman and all members of the Board of Directors for their targeted directions and follow-up. The continuous performance of the Bank and its processes to ensure that the desired goals are achieved in the best way possible. Thanks are also extended to our valued customers for their good trust in us. I also extend my thanks and gratitude to all the employees of this prestigious institution at all levels and positions, as they were an original and an important factor in the success of the Bank in achieving its higher goals.

We ask Allah to grant success to all.

Adnan bin Haider bin Darwish
Chief Executive Officer

رؤية عُمان 2040
OmanVision

Digital transformation is one of the main axes that the bank has focused on in the past period

OMAN HOUSING BANK (S.A.O.C) (البنك العُماني للإسكان) ١٤٢٨

ABOUT US

OMAN HOUSING BANK

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.

Oman Housing Bank (SAOC) was established on 11.07.1977 as an Omani stock company by virtue of the Royal Decree No. 51/77 with a capital of RO. 10 million, as successor of Oman National Housing Development Co., which had been involved in housing financing in Oman since 1974.

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LOAN CRITERIA

If the amount of your monthly salary is:

Up to 400 RO The rate is 1%	From 401 to 700 RO The rate is 2%	From 701 to 1000 RO The rate is 3%	More than 1000 RO The rate is 4%
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LOAN CALCULATOR

OMAN HOUSING BANK (S.A.O.C) (البنك العُماني للإسكان) ١٤٢٨

ABOUT US

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Legal Disclosure under Basel II Pillar III 2019

1. Risk Management

The Board of Directors plays an important role in overall supervision of risk management processes to ensure that risk management requirements were properly implemented and that the Bank is operating within the prescribed limits.

The Board approves risk management policies and sets acceptable risk limits, as well as adopting the capital adequacy assessment process.

The Board has set up a committee (Finance and Risk Management) to assist the Board in proposing and developing risk management policies, proposing acceptable levels of risk, establishing methods for identifying, measuring and controlling risks, monitoring the compliance of the Bank's units with risk standards and limits, and reviewing the efficiency and effectiveness of the Risk Management Department operations.

2. Disclosure Policy

The Bank has an official policy derived from Basel II - Disclosure requirements under Pillar III - approved by the Board of Directors in line with the requirements of the Central Bank of Oman.

3. 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.

4. Capital Structure

The Bank's regulatory capital is divided into (3) levels:

Level 1*

Basic capital, includes: printing and Paid-up capital, statutory reserve, special reserve, retained earnings.

There are no innovative capital instruments in the capital. The paid-up share capital represents (99,085) 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.

Level 2*

Additional capital includes:

General provision for loan losses (not exceeding 1.25%) of assets weighted by credit risk without risk weighted assets.

The ECL in stage (1) is 100% and in the stage (2) is 40% of ECL till 31-Dec-19 (Base year), up to 1.25% of credit risk-weighted assets) and Incremental Stage 2.

Level 3*

Short-term loan to meet market risk:

The Bank does not currently have level (3) capital.

The Bank's capital structure is as follows:

Composition of the regulatory capital at 31 December 2020

Tier (1) Basic Capital	RO (000's)
Paid - Up Capital	99,085
Legal Reserve	26,187
Special Reserve	66,760
Retained Earnings	81,528
Total of Level (1)	273,560
Level (2) Additional Capital	
Provisions for Loan Losses	2,553
Total of Level (2)	276,113

5. Capital Adequacy

The Bank's capital adequacy is computed in accordance with the Basel II guidelines along with the Central Bank of Oman guidelines, using the standardized methodology for calculating credit risk and market risk, if any, with the application of the simple methodology for the inclusion of collateral. Moody's rating is also taken to calculate the risk of claims of the Banks and other financial institutions.

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, the Board, in order to be more cautious in 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 (11%), including a reserve ratio for capital preservation. The Bank's official capital adequacy ratio is (13.5%) as it is evident from the following data, the actual capital adequacy ratio stood at the end of the year (78.79%).

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

Details Amounts in thousands Riyal Omani	Total balances (Book value)	Net balances (Book value)*	Risk Weighted Assets
On-balance sheet items	615,061	612,068	223,541
Off-balance sheet items	16,231	4,381	1,533
Total	631,292	616,449	225,074
CET 1 Capital			273,560
Additional Tier I			-
Total Tier I capital			273,560
Tier II Capital			2,553
Total Regulatory Capital			276,113
Capital requirements for credit risk	225,074	30,385	
Capital requirements for market risk	80,237	10,832	
Capital requirements for operational risk	45,128	6,092	
Total Capital Risk	350,439		47,309
Capital Adequacy Ratio – First Level			%78
Capital Adequacy Ratio - Gross			78.79%

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

6. Risks and Reserves Taken or (Precautions)

a. 6/1 Credit Risk:

Credit risk arises from all products and services when counterparties fail to meet payment obligations in accordance with the terms and conditions of the contract. Although credit granted by the Bank is housing loans to citizens and has real estate and geographically limited collateral within the Sultanate of Oman, however risks may arise in some cases by not covering the value of these guarantees to the full obligations owed by the customer. Approvals for the granting of credit by the executive management within specific ceilings, standards, prudent practices and authority 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 Bank follows the Standardized Approach for the calculation of credit assets risk-weighted at a rate 35% of the housing loans subsidized by the Government of the Sultanate of Oman, at a rate of 100% to the other, also the Bank determine the amount of potential credit following the classification due to credit losses under the circulation of the Central Bank of Oman (BM977) dated 25 September 2004, taking into account the market value of real estate guarantees by 50%.

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 R.O. (000's):

Type of credit	Average at current period	Current status as on 31/12/2020
Housing loans for citizens subsidized by the Government of the Sultanate of Oman	569,208	562,838
Other housing loans to citizens (un subsidized)	10,869	11,945
Total	580,077	574,783

Total Loan Movements R.O. (000's): IFRS 9**Details**

	Stage 1	Stage 2	Stage 3	Total
Opening balance	569,017	497	4,698	574,212
Migration / change (+/-)	(1,515)	950	565	-
New loans	47,352	-	-	47,352
Recovery of loans	(35,701)	(48)	(187)	(35,936)
Loans written off	-	-	-	-
Closing balance	579,153	1,399	5,076	585,628
Total provisions	2,126	432	2,993	5,551

b. 6/2 Market Risk:

Market risk is the risk of changes in the value of securities or transactions due to movements in market factors.

The Bank's budget items currently include any assets or liabilities that are subject to change at the rate of exchange (KWD loan in Kuwaiti Dinars). Interest rate risk may arise directly in the event of an increase in interest rates on short-term deposits or medium-term loans, while interest rates on lending to customers are fixed, and the bank tries to follow the policy of financing through long-term loans to avoid these risks or government loans at a fixed rate. The Bank's final accounts including a distribution of assets and liabilities over a number of predetermined time bands to indicate the sensitivity gap to interest rates.

c. 6/3 Liquidity Risk:

Liquidity risk is the risk of non-availability of enough money in the bank to meet its obligations when due and caused general liquidity risk from the incompatibility of inflows and outflows of funds. The Bank follows a prudent policy in managing liquidity by maintaining arrangements for the provision of cash ready to meet short-term obligations. Liquidity management is managed by reducing the gap between requirements of the assets and liabilities wherever possible and by borrowing medium and long term where necessary to ensure that liquidity is always sufficient to meet the Bank's obligations as due. The Bank's final accounts include an analysis of the asset and liability maturities on a number of predetermined time bands to demonstrate the liquidity gap.

d. 6/4 Operational Risks:

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, employees, systems or due to external factors, and others arising from legal and regulatory requirements. The Bank follows the basic indicator method of measurement, which requires taking 15% of income for last three years to determine risk capital for operational transactions.

Planning for Business Continuity:

Managing the continuity of the work is implementation and management of preventive measures, planning and preparation to ensure that the Bank can continue to work after an emergency or malfunctioning operation. The Bank ensures that its systems and procedures are viable during situations where work is likely to stop. The Bank is continuously improving its current plans by implementing an active work plan to ensure continuity of procedures and systems with flexibility and readiness to meet emergency requirements. The business continuity system management committee was charged with responsibility of formulating, adopting, modifying, testing and maintaining the bank's continuity plans. The committee reviews and agrees on the strategic information on business continuity assessment and planning, ensuring continuity of business activity, and that the responsibility for planning and maintenance is understood across all fields of work.

In order to strengthen the business continuity plan framework, the Bank has:

- Conducted a Training sessions in the continuity of work for the Bank's staff in order to enhance the concepts and mechanisms of work for continuity of work.
- Conducted evacuation training at Bank headquarters.

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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other 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, which include significant accounting policies 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 Director's Report and legal disclosure under Basel II Pillar 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 complete Annual Report and Chief Executive Officer's Speech, 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.

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

Other information (continued)

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 and Chief Executive Officer's Speech, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting 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.

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

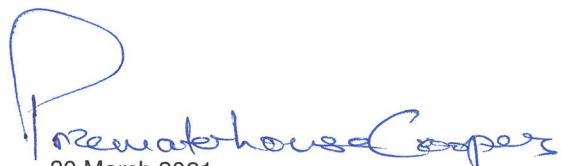
Auditor's responsibilities for the audit of the financial statements (continued)

- 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, we report that the financial statements comply, in all material respects, with those provisions.


30 March 2021
Muscat, Sultanate of Oman



Statement of Financial Position

At 31 December 2020

	Notes	2020 RO'000	2019 RO'000
ASSETS			
Cash and bank balances	5	14,886	10,088
Term deposit	6	6,942	-
Mortgage loan accounts	7	580,077	569,487
Other assets	9	2,387	2,216
Due from Government of Oman – share capital	28	911	4,572
Property and equipment	8	5,137	5,561
Total assets		610,340	591,924
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	10	23,000	20,000
Other liabilities	12	13,982	14,919
Customers' deposits	11	73,158	87,203
Loan from the Arab Fund for Economic and Social Development	13	80,237	61,757
Loan from a bank	14	25,000	25,000
Loans from Government of Oman	15	103,830	103,830
Total liabilities		319,207	312,709
EQUITY			
Share capital	16	100,000	100,000
Legal reserve	17	26,187	24,395
Special reserve	18	66,760	63,535
Impairment reserve	19	7,857	8,543
Revaluation reserve	8, 20	2,801	2,801
Retained earnings		87,528	79,941
Total equity		291,133	279,215
Total liabilities and equity		610,340	591,924
Mortgage loan commitments	27	16,168	23,461

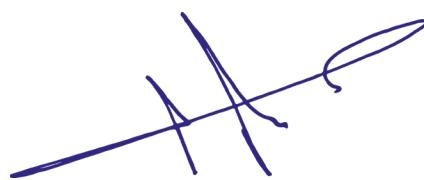
The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 21/06/2021 in accordance with the resolution of the Board of Directors.



Salam bin Saeed Al-Shaksi

Chairman of The Board of Directors



Adnan Haider Darwish

Chief Executive Officer

Statement of profit or loss and other comprehensive income

At 31 December 2020

	Notes	2020 RO'000	2019 RO'000
Income			
Interest income	22	35,360	33,712
Interest expense	23	(11,331)	(10,390)
Net interest income		24,029	23,322
Other operating income	24	578	749
Expenses			
Operating expenses	25	(5,589)	(7,408)
Depreciation of property and equipment	8	(495)	(481)
Foreign exchange gain/(loss)		338	(327)
ECL charge on mortgage loans under IFRS 9	30-3-6	(867)	897
ECL charge on other financial assets under IFRS 9		(76)	26
Total expenses		(6,689)	(7,293)
Profit for the year		17,918	16,778
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net revaluation surplus on lands during the year	8	-	482
Total comprehensive income for the year		17,918	17,260
Earnings per share (basic and diluted)	26	0.179	0.168

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

Statement of changes in equity

At 31 December 2020

	Share capital RO'000	Legal reserve RO'000	Special reserve RO'000	Impairment reserve RO'000	Revaluation reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2020	100,000	24,395	63,535	8,543	2,801	79,941	279,215
Comprehensive income:							
Profit for the year	-	-	-	-	-	17,918	17,918
Other comprehensive income							
Revaluation surplus during the year (note 8)	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	17,918	17,918
Transactions with shareholders:							
Dividend for 2019 (note 21)	-	-	-	-	-	(6,000)	(6,000)
Other transactions within equity							
Utilization of CBO provision for current year transferred from impairment reserve - as required by CBO over and above IFRS 9 requirements (refer note 30.3.8)	-	-	-	(686)	-	686	-
Transfer to legal reserve (note 17)	-	1,792	-	-	-	(1,792)	-
Transfer to special reserve (note 18)	-	-	3,225	-	-	(3,225)	-
Total other transactions with equity	-	1,792	3,225	(686)	-	(4,331)	-
At 31 December 2020	100,000	26,187	66,760	7,857	2,801	87,528	291,133

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

Statement of changes in equity (Cont.)

At 31 December 2020

	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 2019	100,000	22,717	60,515	7,235	2,319	74,169	266,955
Comprehensive income:							
Profit for the year	-	-	-	-	-	16,778	16,778
Other comprehensive income							
Revaluation surplus during the year (note 8)	-	-	-	-	482	-	482
Total comprehensive income for the year	-	-	-	-	482	16,778	17,260
Transactions with shareholders:							
Dividend for 2018 (note 21)	-	-	-	-	-	(5,000)	(5,000)
Other transactions within equity							
Utilization of CBO provision for current year transferred from impairment reserve - as required by CBO over and above IFRS 9 requirements (refer note 30.3.8)	-	-	-	1,308	-	(1,308)	-
Transfer to legal reserve (note 17)	-	1,678	-	1,308	-	(1,678)	-
Transfer to special reserve (note 18)	-	-	3,020	-	-	(3,020)	-
Total other transactions with equity	-	1,678	3,020	1,308	-	(6,006)	-
At 31 December 2019	100,000	24,395	63,535	8,543	2,801	79,941	279,215

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

Statement of Cash Flows

At 31 December 2020

		2020	2019
	Notes	RO'000	RO'000
Cash Flows From Operating Activities			
Profit For The Year		17,918	16,778
Adjustments:			
Depreciation Of Property And Equipment	8	495	481
Gain On Disposal Of Property And Equipment		-	(4)
Non-Cash Employee Benefits Expense – End Of Service Benefits	12-1	(7)	(38)
Change In Expected Credit Losses And Other Credit Impairment Charges	30-3-6	867	(897)
Amounts Written-Off	30-3-6	-	(14)
Banking And Administrative Service Fees Reserved During The Year	7	85	2
Foreign Exchange (Gain)/Loss		(338)	327
Banking And Administrative Service Fees Written Back During The Year	7	(126)	(41)
Operating Profit Before Changes In Working Capital		18,894	16,594
Changes In Working Capital:			
Term Deposit		(6,942)	-
Due From Government Of Oman(a)		-	-
Mortgage Loan Accounts		(11,416)	(29,026)
Other Assets	9	(171)	3,946
Due To Banks	10	3,000	(21,000)
Customers' Deposits	11	(14,045)	(7,305)
Other Liabilities		(899)	208
End Of Service Benefits Paid	12-1	(37)	(66)
Net Cash Used In Operating Activities		(11,610)	(36,649)
Cash Flows From Investing Activities			
Proceeds From Disposal Of Property And Equipment		-	4
Purchase Of Property And Equipment	8	(70)	(177)
Net Cash Used In Investing Activities		(70)	(173)
Cash Flows From Financing Activities			
Loan From The Arab Fund For Economic And Social Development		20,213	15,091
Loan From A Bank		-	25,000
Repayment Of Loan From The Arab Fund For Economic And Social Development		(1,395)	(2,792)
Dividend Paid(a)		(2,340)	(1,950)
Net Cash Generated From Financing Activities		16,478	35,349
Net Change In Cash And Cash Equivalents		4,798	(1,473)
Cash And Cash Equivalents At The Beginning Of The Year		10,088	11,561
Cash And Cash Equivalents At The End Of The Year (Note 5)		14,886	10,088

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

(a) A Non Cash Dividend Amounting To RO 3,660 Million Has Been Adjusted Against The Balance Due From Government Of Oman During The Year.

(b) Net Debt Reconciliation Is Disclosed In Note 34 Of These Financial Statements.

Notes to The Financial Statements for Year Ended 31 December 2020

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.

As per the Articles of Association of the Bank, every year, a minimum dividend of 5% of the paid up share capital should be paid to the shareholders.

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 rate of banking and administrative service fees and the reduced rate of banking and administrative service fees in a form of subsidy.

2. Basis of preparation and summary of significant accounting policies

The significant 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 International Financial Reporting Standards ('IFRS') 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, as amended, on the historical cost basis except for revaluation of lands which are measured at fair value.

IFRS's comprise accounting standards issued by the IASB as well as interpretations issued by the IFRS Interpretation Committee ('IFRIC')

The Bank presents its assets and liabilities broadly in the order of the liquidity in the statement of financial position as this presentation is more appropriate to the Bank's operations and does not distinguish between current and non-current items.

(b) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). These financial statements are presented in Rial Omani rounded off to the nearest thousand, which is the Bank's functional and presentation currency.

(c) Use of estimates and judgments

The Preparation Of The Financial Statements In Conformation With IFRS Requires The Use Of Estimates And Assumptions About Future Conditions. The Use Of Available Information And The Application Of Judgement Are Inherent In The Formation Of Estimates; Actual Results In The Future May Differ From Estimates Upon Which Financial Information Is Prepared. Management Believes That The Bank's Critical Accounting Policies Where Judgement Is Necessarily Applied Are Those Which Relate To The Impairment Of Mortgage Loans Carried At Amortised Cost.

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.

(d) New And Amended Standards Adopted By The Bank

The Bank Applied The Following Standards And Amendments For The First Time For Their Annual Reporting Period Commencing 1 January 2020:

- Amendments To IFRS 3 – Definition Of A Business, (Effective On Or After 1 January 2020)
- Amendments To IAS 1 And IAS 8 On The Definition Of Material, (Effective On Or After 1 January 2020)
- Amendments To IFRS 9, IAS 39 And IFRS 7 - Interest Rate Benchmark Reform Phase 1, (Effective On Or After 1 January 2020)
- Amendments To References To The Conceptual Framework In IFRS Standards, (Effective On Or After 1 January 2020)
- Amendments To IFRS 16 – COVID-19-Related Rent Concessions, (Effective On Or After 1 June 2020)

Amendments To IFRS 16 - COVID-19-Related Rent Concessions, Became Effective For Annual Periods Beginning On Or After 1 June 2020, But Early Application Is Permitted. This Amendment, Which Resulted From The COVID-19 Pandemic, Sets Out The Principles For The Rent Concessions Granted To Lessees. Such Concessions Might Take A Variety Of Forms, Including Payment Holidays And Deferral Of Lease Payments. In May 2020, The IASB Made An Amendment To IFRS 16 Leases Which Provides Lessees With An Option To Treat Qualifying Rent Concessions In The Same Way As They Would If They Were Not Lease Modifications.

(d) New And Amended Standards Adopted By The Bank (Contd.)

In Many Cases, This Will Result In Accounting For The Concessions As Variable Lease Payments In The Period In Which They Are Granted.

The Amendments To IFRS 16 Listed Above Did Not Have Any Impact On The Amounts Recognised In Prior Periods And Are Not Expected To Significantly Affect The Current Or Future Periods.

(e) New Standards And Interpretations Not Yet Adopted

The Following Standards, Amendments And Interpretations To Existing Standards Have Been Published And Are Mandatory For The Bank's Accounting Periods Beginning On Or After 1 January 2021 Or Later Periods. The Bank Has Not Early Adopted Them, And These Standards Are Not Expected To Have A Material Impact On The Bank In The Current Or Future Reporting Periods And On Foreseeable Future Transactions.

- Amendments To IFRS 9, IAS 39 And IFRS 7 - Interest Rate Benchmark Reform Phase 2, (Effective On Or After 1 January 2021)
- Annual Improvements To IFRS Standards 2018–2020, (Effective On Or After 1 January 2022)
- Amendments To IAS 16 – Property, Plant And Equipment – Proceeds Before Intended Use, (Effective On Or After 1 January 2022)
- Amendments To IAS 37 – Onerous Contracts – Cost Of Fulfilling A Contract, (Effective On Or After 1 January 2022)
- Amendments To IFRS 3 – Reference To The Conceptual Framework, (Effective On Or After 1 January 2022)
- Amendments To IAS 1 – Classification Of Liabilities As Current Or Non-Current, (Effective On Or After 1 January 2023)

2.2. Financial assets

Measurement methods

- 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 And Points Paid Or Received That Are Integral To The Effective Interest Rate, Such As Origination Fees.

Financial Instruments Include Cash And Bank Balances, Term Deposit, Mortgage Loan Accounts, 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.

- Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for the financial assets that become credit impaired (or stage 3) for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. gross amount less ECL).

- 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.

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.

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.

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.

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.

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.

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.

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.

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

Financial assets which have experienced a SICR (as defined in note 29.3.3 of the financial statements) are in stage 2; and lifetime ECL is required to be calculated.

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.

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.

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.

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 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.

2.3. Financial liabilities

Classification and measurement

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

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.

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.

Financial Liabilities Are Derecognised When They Are Extinguished (I.E. When The Obligation Specified In The Contract Is Discharged, Cancelled Or Expired).

Derecognition of financial liabilities

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.

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.

2.4. Revenue recognition

IFRS 15 Revenue from Contracts with Customers

Recognition of banking and administrative service fees

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

Recognition of interest income and expense

Interest income and expense are recognised in the statement of profit or loss and other comprehensive income on accrual basis using the effective interest rate method on the principal outstanding.

Recognition of miscellaneous income

Miscellaneous income is credited to income at the time of effecting the transaction.

Recognition of commission and fees

Commission and fees are recognised in the statement of profit or loss and other comprehensive income at the time of effecting the transaction to which they relate.

Recognition of Government contribution to banking and administrative service fees

The proportion of banking and administrative services fees borne by the Government of the Sultanate of Oman is accrued on time apportioned basis and claimed at monthly intervals.

2.5. Mortgage loan accounts

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

2.6. Property and equipment

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

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

	Years
Buildings	25
Furniture, fixtures and office equipment	5 – 10
Other equipment	5
Motor vehicles	5

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

Gains and losses on disposal of property and equipment are determined as the difference between the carrying amount of the asset and its selling price and are dealt within the statement of profit or loss and other comprehensive income.

2.7. Borrowings

Borrowings of the bank consists of amounts due from banks, customers' deposits, 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 profit or loss and other comprehensive income over the years of the borrowings on an effective interest rate basis.

2.8. Dividend distribution

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

2.9. Directors' remuneration

Directors' remuneration is calculated in accordance with the requirements of the Commercial Companies Law.

2.10. End of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Bank's employees having regard to the requirements of the Omani Labour Law. For Omani employees the contributions are transferred to the Public Authority for Social Insurance in accordance with the terms of the Royal Decree 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. The obligation is calculated using the projected unit credit method and is discounted to its present value.

2.11. 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.

2.12. Other Liabilities

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

2.13. 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.

2.14. 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.

2.15. 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.

2.16. Leases

(a) Company as a lessee

Effective 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The lease term is considered to be the non-cancellable period for which the Company has the right to use an underlying asset. The lease term is adjusted for periods covered by an option to extend; if it is reasonably certain that the option will be exercised as well as periods covered by an option to terminate the lease; if it is reasonably certain that the option will not be exercised.

Lease- Accounting policy applied until 31 December 2018

Leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2.17. Grants related to assets

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

3. Critical accounting estimates and judgments

The preparation of the financial statements in conformation with IFRS requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared. Management believes that the Bank's critical accounting policies where judgement is necessarily applied are those which relate to impairment of mortgage loan accounts.

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). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL has been defined above in these financial statements.

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

- determining criteria for SICR;
- 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.

The Bank has assessed the qualitative criteria to determine SICR in accordance with CBO Circular BM 1149 'Implementation of IFRS 9 on Financial Instruments. However, as the Bank only provides mortgage loan with a loan amount of less than RO 500,000, qualitative criteria to determine SICR are not mandatorily required to be assessed.

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

Short-term financial instruments

The carrying amounts of cash in hand and at banks, due from Government of Oman and due to banks recognised in the statement of financial position are considered to be a reasonable estimate of the fair values due to their short-term nature.

Mortgage loan accounts

The mortgage loan accounts are expected to run to maturity. It is not practicable to determine the fair value of mortgage accounts as the subsidy received from the Government is capped at an amount that is determined by the Government annually, currently at an interest rate of 6% (2018 – 6%). Consequently, it is not feasible to assess the total return from these accounts for future periods.

Customer deposits

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

Term loans

The fair values of term loans are estimated using the interest rates offered for loans with similar terms and conditions. Term loan of the Bank includes loan received from Arab Fund for Economic and Social Development.

Loans from the Government of Oman

The fair values of loans 1, 2, 3 and 4 (note 14) from the Government are estimated using the interest rates offered for loans with similar terms and conditions. No fair value can be determined for the subordinated loan in the absence of a repayment schedule.

5. Cash and bank balances

	2020 R.O. (000's)	2019 R.O. (000's)
Cash in hand	188	98
Cash at banks	14,719	9,996
ECL allowance	(21)	(6)
	14,886	10,088

6. Term Deposit

	2020 R.O. (000's)	2019 R.O. (000's)
Time Deposit With Bank	7,000	
ECL Allowance	(58)	
	6,942	

Interest Rates On Term Deposits Is 4.5% Per Annum With Maturity In July 2021.

7. Mortgage loan accounts

	2020 R.O. (000's)	2019 R.O. (000's)
Gross mortgage loan accounts as at 1 January	574,212	545,192
Loans distributed during the year	47,352	62,000
Loans written off during the year	-	(40)
Repayments during the year	(35,936)	(32,940)
Gross mortgage loan accounts as at 31 December	585,628	574,212
ECL provision (refer note 29.3.5)	(5,217)	(4,350)
Reserved banking and administrative service fees (refer note 6.1)	(334)	(375)
Net mortgage loan accounts as at 31 December	580,077	569,487

The CBO Provisions Are Higher Than The ECL Calculated In Accordance With IFRS 9 As At 31 December 2019 As Well As 31 December 2020. Therefore, An Impairment Reserve Is Kept Under Equity For The Excess Impairment Requirement As Per CBO. This Impairment Reserve Has Decreased From RO 8,543 As At 31 December 2019 To RO 7,943 As At 31 December 2020 Due To A Lower CBO Provision Requirement In 2020 As Compared To 2019.

A Detailed Analysis Of The Movement In The ECL Provisions Is Provided In Note 30.3.6.

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

	2020 R.O. (000's)	2019 R.O. (000's)
As at 1 January	375	414
Banking and administrative service fees reserved during the year	85	2
Banking and administrative service fees written back during the year	(126)	(41)
At 31 December	334	375

Banking And Administrative Service Fees On Classified Loans Are Not Recognised As Income By The Bank So As To Comply With The Rules, Regulations And Guidelines Issued By Central Bank Of Oman Against Mortgage Loan Accounts Which Are Impaired (I.E. Overdue By More Than 89 Days).

The Banking And Administrative Service Fees Rates Varied From 1% To 6% (2019 - 1% To 6%) Per Annum In Addition To The Contribution Received From The Government Of The Sultanate Of Oman.

Summary of mortgage loan accounts is as follows:

	2020 R.O. (000's)	2019 R.O. (000's)
Performing accounts	580,552	569,514
Non-performing mortgage loans	5,076	4,698
Total mortgage loans	585,628	574,212
Non-performing loans for the purpose of CBO (note 29.3.3)		
Substandard (past due 90 - 179 days)	2,020	160
Doubtful (past due 180 - 364 days)	644	801
Loss (past due 365 days and over)	2,412	3,737
Fair Value Of Collateral (Note 30.3.5)	5,076	4,698
	7,926	3,632

8. Property and equipment

	Land	Buildings	Furniture, fixtures and office equipment	Other equipment	Motor vehi- cles	Capital	Total
Cost or revaluation	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)
At 1 January 2020	2,893	2,588	1,673	2,428	186	52	9,820
Additions during the year	-	-	33	9	-	28	70
Disposals during the year	-	-	(1)	(14)	-	(11)	(26)
Transfers during the year	-	-	1	40	-	(41)	-
At 31 December 2020	2,893	2,588	1,706	2,463	186	28	9,864
Accumulated depreciation							
At 1 January 2020	-	1,804	1,336	972	147	-	4,259
Charge for the year	-	43	62	379	11	-	495
Disposals	-	-	(12)	(15)	-	-	(27)
At 31 December 2020	-	1,847	1,386	1,336	158	-	4,727
Net book value 31 December 2020	2,893	741	320	1,127	28	28	5,137
Cost or revaluation							
At 1 January 2019	2,411	2,588	1,629	2,445	207	95	9,375
Additions during the year	-	-	54	56	15	52	177
Disposals during the year	-	-	(24)	(154)	(36)	-	(214)
Transfers during the year	482	-	-	-	-	-	482
At 31 December 2019	-	-	14	81	-	(95)	-
Accumulated depreciation	2,893	2,588	1,673	2,428	186	52	9,820
At 1 January 2019	-	1,761	1,296	763	172	-	3,992
Charge for the year	-	43	64	363	11	-	481
Disposals	-	-	(24)	(154)	(36)	-	(214)
At 31 December 2019	-	1,804	1,336	972	147	-	4,259
Net book value 31 December 2019	2,893	784	337	1,456	39	52	5,561

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 2019 (Last Period Of Revaluation) Was RO 2,893,000 (2016 RO 2,410,500). Revaluations Of Lands Are Carried Out Every Three Years On An Open Market Value For Existing Use Basis, By An Internal Valuer In The Engineering Department Of The Bank Or By External Valuers. Accordingly, 9 Plots Were Revaluated During The Year Ended 31 December 2019. Fair Value Of The Land Has Been Classified As Level 2 In Accordance With The Requirements Of Fair Value Hierarchy.

9. Other Assets

	2020 R.O. (000's)	2019 R.O. (000's)
Receivables against Government contribution to banking and administrative service fees (note 27)	2,146	2,111
Prepayments and others	244	105
ECL allowance	(3)	-
	2,387	2,216

10. Due to banks

	2020 R.O. (000's)	2019 R.O. (000's)
Deposits from banks	23,000	20,000
	23,000	20,000

Interest Rates On Term Deposits Vary From 4.7% To 5.10% (2019 – 4.5% To 4.85%) Per Annum, Maturing During The Next 12 Months (2021 - Maturing During The Next 12 Months).

11. Customers' deposits

	2020 R.O. (000's)	2019 R.O. (000's)
Saving Accounts	10,336	10,152
Demand Accounts	426	433
Term Deposits From The Shareholders (Note 28)	61,196	75,418
Term Deposits From The Customers	1,200	1,200
	73,158	87,203

Interest Rates On Savings Accounts And Terms Deposits Vary From 1% To 5.35% (2019 – 1.00% To 4.60%) Per Annum, Maturing In 2021 (2018 – Maturing Between 2019 And 2020).

12. Other liabilities

	2020 R.O. (000's)	2019 R.O. (000's)
Customers' Insurance Payable	3,814	3,344
Accrued Interest	6,192	5,792
Retention Payable To Contractors	2,445	3,405
End Of Service Benefits (Note 12.1)	14	44
Other Payables	1,517	2,334
	13,982	14,919

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

	2020 R.O. (000's)	2019 R.O. (000's)
At 1 January	44	72
Expense recognised in the statement of profit or loss and other	7	38
Payments to employees left during the year	(37)	(66)
At 31 December	14	44

13. Loan from the Arab Fund for Economic and Social Development

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 Account As At 31 December 2020 And Has A Balance Of RO 44,647,135 At 31 December 2020 (2019 - RO 46,538,819). 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. As A Response To COVID-19, The Bank Was Granted A One-Year Interest And Principle Repayment Deferral.

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 2020 Is KWD 28,378,275 (2019 - KWD 12,000,000) Which Is Equivalent RO 35,590,107 (2019 - RO 15,218,694). The Interest Is Paid Every Six Months Of Each Year In February And August. As A Response To COVID-19, The Bank Was Granted A One-Year Interest And Principle Repayment Deferral.

14. Loan from a bank

During The Year 2019, Bank Muscat Approved A Loan Of RO 25,000,000 At An Interest Rate Of 5.25%. The Interest Is Paid Every Six Months Of Each Year In February And August. The Loan Is Repayable Semi-Annually In 20 Equal Instalments Amounting To RO 1,250,000 Starting From 28 July 2021.

15. Loans from Government of Oman

	2020 R.O. (000's)	2019 R.O. (000's)
Government loan – 1	34,830	34,830
Government loan – 2	10,000	10,000
Government loan – 3	8,000	8,000
Government loan – 4	31,000	31,000
Subordinated loan	20,000	20,000
	103,830	103,830

Loan 1 From The Government Of The Sultanate Of Oman Is Denominated In Rial Omani And Carries Interest Rate Of 5% (2019- 5%) Per Annum.

Loans 2, 3 And 4 From The Government Of The Sultanate Of Oman Are Denominated In Rial Omani And Carry Interest Rate Of 3% (2019- 3%) Per Annum.

The Above Mentioned Government Loans (Note 28) Do Not Have Repayments Terms And Management Believes That These Amounts Will Not Be Paid In The Next 12 Months.

During 2001, The Government Of Sultanate Of Oman Approved A Subordinated Loan Of RO 20,000,000 To The Bank, Of Which RO 12,000,000 Was Disbursed During The Year 2001, RO 2,000,000 Was Disbursed During 2002, And The Balance Of RO 6,000,000 Was Disbursed During 2003. This Is An Interest Free Loan And Repayable On Demand.

16. Share capital

The Share Capital Of The Bank Is Divided Into 100,000,000 (2019 – 100,000,000) Shares Amounting To RO 100,000,000 (2019 – RO 100,000,000) . The Paid Up Capital Of The Bank Is 99,085,000 (2019 – RO 95,425,000) Shares Of RO 1 Each (See Note 28 For Due From Government Of Oman For Remaining Share Capital Contribution).

The shareholding pattern is as follows:

	2020 R.O. (000's)	2019 R.O. (000's)
Government of the Sultanate of Oman - Oman Investment Authority (Parent)	61.0%	61.0%
Internal Security Service Pension Fund	6.5%	6.5%
Royal Guard of Oman Pension Fund	6.5%	6.5%
Ministry of Defence Pension Fund	6.5%	6.5%
Royal Oman Police Pension Fund	6.5%	6.5%
Civil Service Employees Pension Fund	6.5%	6.5%
Public Authority for Social Insurance	6.5%	6.5%

In Accordance With Royal Decree No 61/2020 Dated 04/06/2020 On Establishment Of The Oman Investment Authority, Ownership Of All Government Companies And Investments Were Transferred To The Oman Investment Authority.

17. Legal reserve

In accordance with the Bank's Articles of Association and Commercial Companies Law of Oman 1974, as amended, 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.

18. Special reserve

In accordance with the Articles of Association of the Bank, after appropriation of legal reserve and dividend proposed; the General Assembly may decide to create optional reserve accounts not exceeding 20% (2018: 20%) of the net profits for the year.

19. 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.

20. Revaluation reserve

This reserve represents the fair value gain arising from revaluation of lands after the initial recognition. During the year 2019, the Board of Directors had passed a resolution to revalue the lands owned by the Bank through external valuers, as a result all 9 plots were revaluated.

	2020	2019
	R.O. (000's)	R.O. (000's)
At 1 January	2,801	2,319
Revaluation surplus during the year	-	482
At 31 December	2,801	2,801

The revaluation reserve is not available for distribution.

21. Proposed dividend

The Cash Dividend Of RO 6 Million Has Been Proposed By The Bank's Board Of Directors (2019 – RO 6 Million) And Will Be Submitted For Shareholders' Approval.

22. Interest income

	2020	2019
	R.O. (000's)	R.O. (000's)
Banking and administrative service fees	9,694	9,185
Government Contribution To Banking And Administrative Service Fees (Note 28)	25,205	24,450
Interest on short-term deposits	461	77
	35,360	33,712

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. For The Year 2020, The Subsidy Amount Was RO 25,205,317 (2019 - RO 24,449,907).

23. Interest expense

	2020	2019
	R.O. (000's)	R.O. (000's)
Interest on loans from the Government of Oman (note 28)	3,212	3,212
Interest on customers' deposits	4,857	5,311
Interest on loan from a bank	1,280	384
Interest on loan from Arab Fund for Economic and Social Development	1,982	1,483
	11,331	10,390

24. Other operating income

	2020	2019
	R.O. (000's)	R.O. (000's)
Fees and commissions	567	727
Miscellaneous income	11	22
	578	749

25. Operating expenses

	2020	2019
	R.O. (000's)	R.O. (000's)
Staff Expenses	4,541	6,105
Building Overhead	182	250
Information Overhead	381	433
Communication Costs	62	40
Travelling Expenses	12	19
Fees And Management Cost	129	266
Board Of Directors' Remuneration - Proposed	20	40
Board Of Directors' Meeting Expenses And Sitting Fees (Note 28)	38	26
Security Service Fees	114	116
Sundry Expenses	110	113
	5,589	7,408

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.

	2020	2019
Net profit for the year (R.O'000)	17,918	16,778
Weighted average number of shares outstanding (shares'000)	100,000	100,000
Earnings per share - basic and diluted (R.O)	0.179	0.168

27. Mortgage loan commitments

	2020 R.O. (000's)	2019 R.O. (000's)
Mortgage Loan Accounts - Approved But Not Disbursed	16,230	23,554
ECL Allowance	(62)	(93)
	16,168	23,461

28. Related parties

The Bank's related parties include the parent, Government of Sultanate of Oman – Ministry of Finance and related entities, 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 with related parties or holders of 10% or more of the Bank's shares, ("Significant shareholders") or their family members during the year is as follows:

	2020 R.O. (000's)	2019 R.O. (000's)
Government		
Government contribution to banking and administrative service fees (note 22)	25,205	24,450
Interest on loans from the Government of Oman (note 23)	3,212	3,212
Directors		
Board of Directors' meeting expenses and sitting fees (note 25)	38	26
Board of Directors' remuneration - proposed (note 25)	20	40
Amount due (to) / from related parties:		
Loans from Government of Oman (note 14)	(103,830)	(103,830)
Interest accrued on 'loans from Government of Oman'	(1,912)	(1,912)
Receivable against Government contribution to banking and administrative service fees (note 8)	2,143	2,111
Due from Government of Oman – Share capital (net of ECL) (note 15)	911	4,572
Term deposits from the shareholders (note 10)	(61,196)	(75,418)
Key management		
Mortgage loan accounts	218	188
Banking and administrative service fees	4	3
All loans to related parties are performing.		
Compensation of the key management personnel is as follows:		
Salaries and allowances	341	303
Other benefits	57	114
	398	417

29. 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 16 To 20

(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:

	2020 R.O. (000's)	2019 R.O. (000's)
Debt	293,263	286,005
Equity	291,133	279,215
Debt to equity ratio	100.731%	102.43%

Debt includes due from banks, deposits from shareholders, loan from a bank, loan from Government of Oman and loan from the Arab Fund for Economic and Social Development. 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.

	2020 R.O. (000's)	2019 R.O. (000's)
Capital base		
Tier 1	273,560	257,296
Tier 2	2,553	1,905
Total capital base	276,113	259,201
Risk weighted assets		
Credit risk - on balance sheet items	223,541	218,656
Credit risk - off balance sheet items	1,533	1,938
Operational risk	45,128	43,564
Market risk	80,237	61,757
Total risk weighted assets	350,439	325,915
Capital adequacy ratio	78.79%	79.53%

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, albeit with interest variance clause. However, any re-pricing of the Bank's liabilities by its lenders due to economic factors would result to some extent in interest rate risk. The Bank mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from the Government at fixed interest rates.

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

The Bank's exposure to interest rate risk is shown below (31 December 2020).

31 December 2020	Interest	Up to	1 - 3	3 - 6	6 - 9	9 - 12	1 - 3	3 - 5	More	Non	Total
	Rate	1 month	months	months	months	months	years	years	than 5	Sensi-	
	%	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.
Assets											
Cash and bank balances		-	-	-	-	-	-	-	-	14,886	14,886
Term Deposit	4.5	-	-	-	6,942	-	-	-	-	-	6,942
Mortgage loan accounts	1-6	3,668	7,322	10,970	10,950	11,452	86,140	83,534	366,041	-	580,077
Due from Government of Oman – share capital		-	-	-	-	-	-	-	-	911	911
Property and equipment		-	-	-	-	-	-	-	-	5,137	5,137
Other assets		-	-	-	-	-	-	-	-	2,387	2,387
Total Assets		3,668	7,322	10,970	17,892	11,452	86,140	83,534	366,041	23,321	610,340
Liabilities and equity											
Due to banks	4.70	5,000	8,000	10,000	-	-	-	-	-	-	20,000
Customers' deposits	1-5.35	538	538	18,458	14,538	12,653	2,691	2,691	21,051	-	73,158
Loans from the Government of Oman	3-5	-	-	-	-	-	-	-	83,830	20,000	103,830
Loan from the Arab Fund for Economic and Social Development	2.5-3	-	-	-	1,404	-	5,616	8,618	64,599	-	80,237
Loan from a bank	5.25	-	-	-	1,250	-	5,000	5,000	13,750	-	25,000
Other liabilities		-	-	-	-	-	-	-	-	13,982	13,982
Total equity		-	-	-	-	-	-	-	-	291,133	291,133
Total liabilities and equity		5,538	8,538	28,548	17,192	12,653	13,307	16,309	183,230	325,115	610,340
Interest rate sensitivity gap		(1,870)	(1,216)	(17,488)	(700)	1,201	72,833	67,225	182,811	(301,794)	610,340
Cumulative gap		(1,870)	(3,086)	(20,754)	(19,874)	(21,075)	51,758	118,983	301,794		

The Bank's exposure to interest rate risk is shown below (31 December 2019).

31 December 2019	Interest	Up to	1 - 3	3 - 6	6 - 9	9 - 12	1 - 3	3 - 5	More	Non	Total
	Rate	1 month	months	months	months	months	years	years	than 5	Sensi-	
	%	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	
Assets											
Cash and bank balances	-	-	-	-	-	-	-	-	-	10,088	10,088
Mortgage loan accounts	1-6	3,490	7,105	10,648	10,632	11,318	83,466	80,545	362,283	-	569,487
Due from Government of Oman – share capital	-	-	-	-	-	-	-	-	-	4,572	4,572
Property and equipment	-	-	-	-	-	-	-	-	-	5,561	5,561
Other assets	-	-	-	-	-	-	-	-	-	2,216	2,216
Total Assets	-	3,490	7,105	10,648	10,632	11,318	83,466	80,545	362,283	22,437	591,924
Liabilities and equity											
Due to banks	4.5-4.85	1,000	8,000	11,000	-	-	-	-	-	-	20,000
Customers' deposits	1-4.60	529	6,129	10,861	7,529	8,729	22,008	6,147	25,271	-	87,203
Loans from the Government of Oman	3-5	-	-	-	-	-	-	-	-	83,830	20,000
Loan from the Arab Fund for Economic and Social Development	2.5-3	-	1,404	-	1,404	-	5,616	5,616	47,717	-	61,757
Loan from a bank	5	-	-	-	-	-	3,750	7,500	13,750	-	25,000
Other liabilities	-	-	-	-	-	-	-	-	-	14,919	14,919
Total equity	-	-	-	-	-	-	-	-	-	279,215	279,215
Total liabilities and equity	-	1,529	15,533	21,861	8,933	8,729	31,374	19,263	170,568	314,134	591,924
Interest rate sensitivity gap	-	1,961	(8,428)	(11,213)	1,699	2,589	52,092	61,282	191,715	(291,697)	-
Cumulative gap	-	1,961	(6,467)	(17,680)	(15,981)	(13,392)	38,700	99,982	291,697	-	-

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 profit and loss and other comprehensive income of the Bank.

A change in the KWD by +1/-1% will increase / decrease the profit of the Bank by RO 618 thousand as at 31 December 2019 (2018– RO 491 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

(a) Loans and advances

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 of these financial statements.

30.3.3. Impact Of COVID 19 On Expected Credit Loss Measurement

The World Health Organization Officially Declared COVID-19 As A Global Pandemic On 11 March 2020. From The Latter Half Of Q1-2020, The Economic Environment And Business Landscape Of Oman Has Witnessed Rapid Changes As A Result Of The Unprecedented Outbreak Of Coronavirus Pandemic Coupled With The Significant Depression In The Global Crude Oil Prices. Tightening Of Market Conditions, Lockdowns, Restrictions On Trade And Movement Of People Have Caused Significant Disruptions To Businesses And Economic Activities Globally And Across Industries And Sectors.

30.3.3. Impact Of COVID 19 On Expected Credit Loss Measurement (Cont.)

Governments And Regulatory Authorities Across The Globe Have Implemented Several Measures To Contain The Impact Of The Spread Of The Virus. In Line With This, The Central Bank Of Oman (CBO), Also Instituted A Host Of Measures To Protect The Stability Of Country's Economy. These Measures Include Deferral Of Loan Instalments For The Affected Borrowers, Deferment And Waiver Of Interest/Profit For Affected Omani Nationals Employed In Private Sector, Lowering Of Regulatory Capital Ratios And Increasing The Lending Ratio Etc. (Refer CBO Circular No. BSD/CB/2020/001for Details). These Measures Have Been Extended Until 31 March 2021.

The Bank's Home Loan Portfolio Comprises Entirely Of Nationals, Most Of Whom Are Employed In Government Sector And Hence This Segment Is Expected To Largely Remain Insulated From Job Cuts And Salary Reductions. The Bank Is Fully Committed To Help Its Customers Through This Turbulent Period As Directed By The CBO. The Bank Continued To Support Its Customers Through Well-Executed Business Continuity Plans, In Addition To Adopting Health And Safety Measures Announced By The Supreme Committee Entrusted With Finding Mechanisms For Dealing With Developments Resulting From The COVID-19 Pandemic. The Bank Continually Reviews Its Precautionary And Administrative Measures In Response To Changes On The Ground.

The Bank's ECL Models Are Constructed And Calibrated Primarily Using Historical Default Trends And Conservative Haircut Adjusted Collateral Values.

As Required By IFRS 9, The Assessment Of Significant Increase In Credit Risk (SICR) And The Measurement Of Ecls Should Be Based On Reasonable And Supportable Information That Is Available Without Undue Cost Or Effort. In Assessing Forecast Conditions, Consideration Should Be Given Both To The Effects Of COVID-19 And The Significant Government Support Measures Being Undertaken. Relief Measures, Such As Payment Holidays, Do Not Automatically Lead To Loans Being Measured On The Basis Of Lifetime Losses. However, After Careful Consideration, The Bank Has Decided As A Conservative Measure To Calculate The ECL On Loans That Have Been Deferred, 402 Loans Amounting To RO 12.5 Million (31 December 2019: RO Nil), Using The Higher Computed Probability Of Default (PD) For Loans In The 1 To 30 Day Category Instead Of The Zero Day Category.

In Case Of Customers Requesting Loan Deferrals, The Bank Will Simply Extend The Original Maturity Date Of The Loan To Compensate For The Deferral Period. The Bank Has Determined That The Modifications Due To Deferment Of Instalment And Waiver Of Interest Allowed In Line With CBO Relaxation Measures Did Not Result In Derecognition Of Financial Assets. Further, The Impact Of Day One Modification Loss Was Not Considered Material For The Period.

30.3.4. 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.

Credit Grade	2020			
	Stage 1 R.O. (000's)	Stage 2 R.O. (000's)	Stage 3 R.O. (000's)	Total R.O. (000's)
Standard	579,153	823	-	579,976
Special mention	-	576	-	576
Substandard	-	-	2,020	2,020
Doubtful	-	-	644	644
Loss	-	-	2,412	2,412
Gross carrying amount	579,153	1,399	5,076	585,628
Loss allowance	(2,126)	(429)	(2,662)	(5,217)
Reserved interest (note 6)	-	(3)	(331)	(334)
Carrying amount	577,027	967	2,083	580,077
2019				
Credit Grade	Stage 1 R.O. (000's)	Stage 2 R.O. (000's)	Stage 3 R.O. (000's)	Total R.O. (000's)
Standard	569,017	356	-	569,373
Special mention	-	141	-	141
Substandard	-	-	160	160
Doubtful	-	-	801	801
Loss	-	-	3,737	3,737
Gross carrying amount	569,017	497	4,698	574,212
Loss allowance	(1,814)	(151)	(2,385)	(4,350)
Reserved interest (note 6)	-	-	(375)	(375)
Carrying amount	567,203	346	1,938	569,487
2020				
	Gross R.O. (000's)	ECL Provision R.O. (000's)	Net R.O. (000's)	
Bank Balances	14,719	(21)		14,698
Term Deposits	7,000	(58)		6,942
Due From Government	915	(4)		911
Other Assets	2,146	(3)		2,143
	24,780	(86)		24,694
2019				
Bank Balances	9,996	(6)		9,990
Term Deposits	-	-		-
Due From Government	4,575	(3)		4,572
Other Assets	2,111	-		2,111
	16,682	(9)		16,663

30.3.5. 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 Bank's Policies Regarding Obtaining Collateral Have Not Changed During The Reporting Period And There Has Been No Significant Change In The Overall Quality Of The Collateral Held By The Bank Since The Prior Period.

The Portion Of The Bank's Financial Instruments Originated By The Mortgage Business Has Sufficiently Low 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. Mortgage Financial Assets That Are Credit Impaired And Related Collateral Held In Order To Mitigate Potential Losses Are Shown Below.

	2020	2019
	R.O. (000's)	R.O. (000's)
Mortgage credit-impaired assets		
Gross exposure	5,076	4,698
Expected credit losses	(2,662)	(2,385)
Carrying exposure	2,414	2,313
Fair value of collateral held	7,926	3,632

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

	2020	2019
	R.O. (000's)	R.O. (000's)
Lower than 50%		
Lower than 50%	976	895
50 to 60%	781	982
61 to 70%	1,241	896
71 to 80%	971	1,169
81% to 90%	711	470
91 to 100%	80	123
Higher than 100%	316	163
Gross carrying amount	5,076	4,698

30.3.6. Loss allowance

The loss allowance recognised in the reporting period is impacted by a variety of factors, as described below:

- 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 in the reporting period, and the consequent up-grading (or down-grading) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the reporting period, as well as releases for financial instruments de-recognised in the reporting period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the reporting period, 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 period; and
- Write-offs of allowances related to financial assets that were written off during the reporting period.

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

	Stage 1	Stage 2	Stage 3	Total
Mortgage loan accounts including loans commitments	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)
ECL as at 1 January 2020	1,814	151	2,385	4,350
Movements during the year				
Transfers between Stages	(40)	(580)	620	-
Net impairment charge / (release) for the year	352	858	(343)	867
Loss allowance as at 31 December 2020 year	2,126	429	2,662	5,217
	Stage 1	Stage 2	Stage 3	Total
Mortgage loan accounts including loans commitments	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)
ECL as at 1 January 2019	647	243	4,371	5,261
Movements during the year				
Transfers between Stages	8	(12)	4	-
Net impairment charge / (release) for the year	1,159	(80)	(1,976)	(897)
Amounts written off	-	-	(14)	(14)
Loss allowance as at 31 December 2019 year	1,814	151	2,385	4,350

30.3.7. 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.

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

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 per CBO norms	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
As at 31 December 2020									R.O. (000's)
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4) - (10)	(8) = (3) - (5) - (10)	(9)	(10)
Standard	Stage 1	595,383	11,583	2,126	9,457	583,800	593,257	34,899	-
	Stage 2	823	16	214	(198)	807	609	-	-
	Stage 3	-	-	-	-	-	-	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	576	11	218	(204)	562	358	-	3
	Stage 3	-	-	-	-	-	-	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,020	500	1,118	(598)	1,500	902	-	20
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	644	162	374	(206)	476	270	-	6
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,412	888	1,501	(308)	1,219	911	-	305
Other items not covered under CBO	Stage 1	24,780	-	86	(86)	24,780	24,694	461	-
Total	Stage 1	620,163	11,583	2,212	9,371	608,580	617,951	35,360	-
	Stage 2	1,399	27	432	(402)	1,369	967	-	3
	Stage 3	5,076	1,550	2,993	(1,112)	3,195	2,083	-	331
	Total	626,638	13,160	5,637	7,857	613,144	621,001	35,360	334

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

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 per CBO norms	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
As at 31 December 2019									R.O. (000's)
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4) - (10)	(8) = (3) - (5) - (10)	(9)	(10)
Standard	Stage 1	592,571	11,382	1,814	9,568	581,189	590,757	33,635	-
	Stage 2	356	7	94	(87)	349	262	-	-
	Stage 3	-	-	-	-	-	-	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	141	3	57	(54)	138	84	-	-
	Stage 3	-	-	-	-	-	-	-	-
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	160	58	127	(69)	99	30	-	3
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	801	185	375	(190)	605	415	-	11
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,737	1,258	1,883	(625)	2,118	1,493	-	361
Total	Stage 1	592,571	11,382	1,814	9,568	581,189	590,757	33,635	-
	Stage 2	497	10	151	(141)	487	345	-	-
	Stage 3	4,698	1,501	2,385	(884)	2,822	1,938	-	375
Total		597,766	12,893	4,350	8,543	584,498	593,041	33,635	375

30.3.9. Mortgage loans with renegotiated terms

Loss 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.

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 per CBO norms	Net Carrying Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9	Reserve interest as per CBO norms
As at 31 December 2020									R.O. (000's)
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4) - (10)	(8) = (3) - (5) - (10)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	906	270	476	(206)	598	392	-	38
Total									R.O. (000's)
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	906	270	476	(206)	598	392	-	38
As at 31 December 2019									R.O. (000's)
(1)	(2)	(3)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4) - (10)	(8) = (3) - (5) - (10)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	868	286	452	(166)	582	416	-	-
Total									R.O. (000's)
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	868	286	452	(166)	582	416	-	-
Total									R.O. (000's)
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	868	286	452	(166)	582	416	-	-

30.3.10. Impairment allowance and loss on mortgage loans

i) Mortgage loans

		As per CBO norms		As per IFRS 9		Difference	
		2020	2019	2020	2019	2020	2019
		R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)
Provision required as per CBO norms / held as per IFRS 9		13,494	12,893	5,551	4,350	(7,943)	(8,543)
Gross NPL ratio %		0.84%	0.79%	0.84%	0.79%	0.00%	0.00%
Net NPL ratio %		0.54%	0.48%	0.35%	0.33%	(0.19%)	(0.16%)

ii) Mortgage loans and other assets

		As per CBO norms		As per IFRS 9		Difference	
		2020	2019	2020	2019	2020	2019
		R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)
Provision required as per CBO norms / held as per IFRS 9		13,494	12,893	5,637	4,359	(7,857)	(8,534)

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 disclosed in table below analyse the Bank's assets and liabilities as on 31 December 2020 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.

31 December 2020	Up to	1 - 3	3 - 6	6 - 9	9 - 12	1 - 3	3 - 5	More than	Total
	1 month	months	months	months	months	years	years	5 years	
	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	R.O.	
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Assets									
Cash and bank balances	14,886	-	-	-	-	-	-	-	14,886
Term deposit	-	-	-	6,942	-	-	-	-	6,942
Mortgage loan accounts	3,668	7,322	10,970	10,950	11,452	86,140	83,534	366,041	580,077
Due from Government of Oman – share capital	-	-	-	-	911	-	-	-	911
Property and equipment	-	-	-	-	-	-	-	5,137	5,137
Other assets	2,143	13	171	60	-	-	-	-	2,387
Total Assets	20,679	7,335	11,141	17,952	12,363	86,140	83,534	371,178	610,340
Liabilities and equity									
Due to banks	5,000	8,000	10,000	-	-	-	-	-	23,000
Customers' deposits	538	538	18,458	14,538	12,653	2,691	2,691	21,051	73,158
Loans from the Government of Oman	-	-	-	-	-	-	-	103,830	103,830
Loan from the Arab Fund for Economic and Social Development	-	-	-	1,404	-	5,616	8,618	64,599	80,237
Loan from a bank	-	-	-	1,250	-	5,000	5,000	13,750	25,000
Other liabilities	2,644	1,389	845	2,385	87	6,592	-	40	13,982
Total equity	-	-	-	-	-	-	-	291,133	291,133
Total liabilities and equity	8,182	9,927	29,303	19,577	12,740	19,899	16,309	494,403	610,340
Net liquidity gap	12,515	(2,592)	(18,162)	(1,625)	(377)	66,241	67,225	(123,225)	-
Cumulative liquidity gap	12,515	9,923	(8,239)	(9,864)	(10,241)	56,000	123,225	-	-

30.4. Liquidity risk (Cont)

31 December 2019	Up to	1 - 3	3 - 6	6 - 9	9 - 12	1 - 3	3 - 5	More than	Total
	1 month	months	months	months	months	years	years	5 years	
	R.O.								
	(000's)	(000's)							
Assets									
Cash and bank balances	10,088	-	-	-	-	-	-	-	10,088
Mortgage loan accounts	3,490	7,105	10,648	10,632	11,318	83,466	80,545	362,283	569,487
Due from Government of Oman – share capital	-	-	4,572	-	-	-	-	-	4,572
Property and equipment	-	-	-	-	-	-	-	5,561	5,561
Other assets	2,111	15	30	60	-	-	-	-	2,216
Total Assets	15,689	7,120	15,250	10,692	11,318	83,466	80,545	367,844	591,924
Liabilities and equity									
Due to banks	1,000	8,000	11,000	-	-	-	-	-	20,000
Customers' deposits	529	6,129	10,861	7,529	8,729	22,008	6,147	25,271	87,203
Loans from the Government of Oman	-	-	-	-	-	-	-	103,830	103,830
Loan from the Arab Fund for Economic and Social Develop- ment	-	1,404	-	1,404	-	5,616	5,616	47,717	61,757
Loam from a bank	-	-	-	-	-	3,750	5,000	16,250	25,000
Other liabilities	2,034	1,919	784	282	678	3,527	-	5,695	14919
Total equity	-	279,215	279,215						
Total liabilities and equity	3,563	17,452	22,645	9,215	9,407	34,901	16,763	477,978	591,924
Net liquidity gap	12,126	(10,332)	(7,395)	1,477	1,911	48,565	63,782	(110,134)	-
Cumulative liquidity gap	12,126	1,794	(5,601)	(4,124)	(2,213)	46,352	110,134	-	-

31. Financial assets and liabilities

Accounting classifications as at reporting excluding ECL is listed below:

31 December 2020	Financial assets and liabilities at amortised cost	Total	
		R.O. (000's)	R.O. (000's)
Financial Assets			
Cash and cash equivalents		14,698	14,698
Term Deposit		6,942	6,942
Mortgage loan accounts		580,077	580,077
Due from Government of Oman – share capital		911	911
Other assets		2,143	2,143
Total financial assets		604,771	604,771
Total non-financial assets			5,566
Total assets			610,337
Financial liabilities			
Due to banks		23,000	23,000
Customer deposits		73,158	73,158
Loans from Government of Oman		103,830	103,830
Loan from a bank		25,000	25,000
Loan from Arab Fund for Economic and Social Development		80,237	80,237
Other liabilities		13,968	13,968
Total financial liabilities		319,193	319,193
Total non-financial liabilities			14
Total liabilities			319,207

31. Financial assets and liabilities (Cont)

Accounting classifications as at reporting excluding ECL is listed below:

31 December 2019	Financial assets and liabilities at amortised cost	Total	
		R.O. (000's)	R.O. (000's)
Financial Assets			
Cash and cash equivalents		9,990	9,990
Mortgage loan accounts		569,487	569,487
Due from Government of Oman – share capital		4,572	4,572
Other assets		2,111	2,111
Total financial assets		586,160	586,160
Total non-financial assets			5,764
Total assets			591,924
Financial liabilities			
Due to banks		20,000	20,000
Customer deposits		87,203	87,203
Loans from Government of Oman		103,830	103,830
Loan from a bank		25,000	25,000
Loan from Arab Fund for Economic and Social Development		61,757	61,757
Other liabilities		14,875	14,875
Total financial liabilities		312,665	312,665
Total non-financial liabilities			44
Total liabilities			312,709

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

In addition all operations of the bank are in the Sultanate of Oman.

33. Taxation

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

34. Net debt reconciliation

	2020	2019
	R.O. (000's)	R.O. (000's)
Cash and cash equivalents	14,886	10,088
Borrowings – repayable within one year	(72,379)	(107,959)
Borrowings – repayable after one year	(232,846)	(189,831)
Net debt	(290,339)	(287,702)
	2020	2019
	R.O. (000's)	R.O. (000's)
Cash and cash equivalents	14,886	10,088
Government Debt – Interest free	(20,000)	(20,000)
Gross debt – fixed interest rates	(285,225)	(277,790)
Net debt	(290,339)	(287,702)

Liabilities from financing activities	Cash	Borrowings due within 1 year	Borrowings due after 1 year	Total
	R.O. (000's)	R.O. (000's)	R.O. (000's)	R.O. (000's)
Net debt as at 1 January 2019	11,561	(74,743)	(213,726)	(276,908)
Cash flows, net	(1,473)	18,158	(27,479)	(10,794)
Net debt as at 31 December 2019	10,088	(56,585)	(241,205)	(287,702)
Cash flows, net	4,798	(15,794)	8,359	(2,637)
Net debt as at 31 December 2020	14,886	(72,379)	(232,846)	(290,339)

Borrowing of the banks consist of due to banks, customer deposits, loans from Government of Oman and Loan from the Arab Fund for Economic and Social Development and Loan from a Bank.

Social Responsibility

Human, Ethical, Legal & Economical Responsibility

Oman Housing Bank welcomes partnership with the private sector in social responsibility programs, the bank looks for opportunities to serve the largest segment of citizens with low and medium income.

The social responsibility program is not limited to Charitable Associations, but also includes human, moral, legal and economic responsibility.

The Bank has established in order to support the movement of housing and construction which contributes in achieving economical progress in the Sultanate. In order to achieve this objective, The Bank granted by virtue of a decree establishing it the privileges and mechanisms of action to enable it to achieve its objectives, particularly the social objectives which the rational government has sought. There have been many changes in the structure of fees for banking and administrative services since the establishment of the bank. All these changes have always been in the interest of the citizen by reducing the burden of fees incurred.

As for the changes that have affected by the government support, these changes did not harm the citizen in any way, but rather carried by the bank, which continues to carry out its mission since its establishment in order to achieve the interests of citizens priority.

The social responsibility of the Bank is achieving through the exercise of its natural role, as a housing lending institution through the many concessional terms under which it can borrow.

Whether in terms of the low level of fees for banking and administrative services to the extent of non-competition or in terms of exemptions of banking and administrative fees issued by the Government from time to time to include borrowers from the bank, for other social conditions, which have a social dimension, aim at relieving the burdens of citizens to the least extent possible.

In a society dominated by social solidarity since time immemorial, such as Omani society, social responsibility in all its contents has been achieved naturally, by moral, behaviour, individual and cluster as this society is a cohesive texture form that everyone feels that besides his rights he has duties towards others, especially towards those who cannot fulfil their own needs by providing them with benefits and driving the damages from them.

By virtue of the official legislations regulating the work of these banks, social responsibility is the result of it, and that is through facilitating easy access offered to citizens, which are not competitive from commercial banks including the exemptions which is carried out from time to time in order to enable citizens to live well and at the lowest possible cost.

The Royal Decree regarding the establishment of the bank was made available to build the housing projects for people with low or medium income or financing them. Such projects are with social dimension and as limited on the low and medium income citizens and its concessional terms. Naturally the Bank can establish such partnerships with the private sector or other socially responsible partnerships that are consistent with the purposes for which the Bank was established.

There are many forms of social responsibility already achieved in our country considering that this responsibility has several dimensions which assimilate in the human, ethical, legal and economic responsibility.

Al Rahma Association for Motherhood and Childhood



The association receives in-kind and financial donations from philanthropists and shareholders from various vital sectors in the Sultanate, to meet the needs of more than 5,000 families sponsored by the association and nearly 1,800 registered orphans.

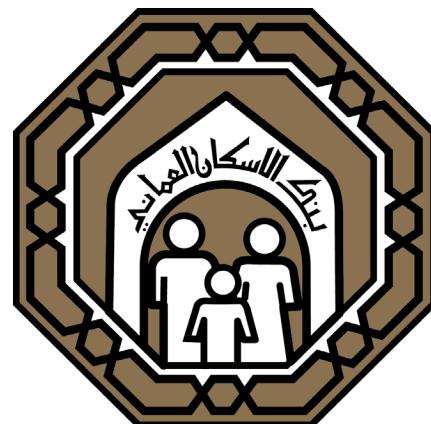
Oman Housing Bank has represented, for more than 5 years, the giving hand that provided throughout this period a number of used computers, which contributed to meeting the needs of the children of needy families studying in the school and university stages and preparing the charitable and association teams alike.





An art piece in the Bank's HQ showcasing the Omani Heritage from different governorates

History of Oman Housing Bank





The artwork was painted in 1987 sized about 8 meters wide and 3 meters long by the artist "Prafulla Creations"

1977 - 2020

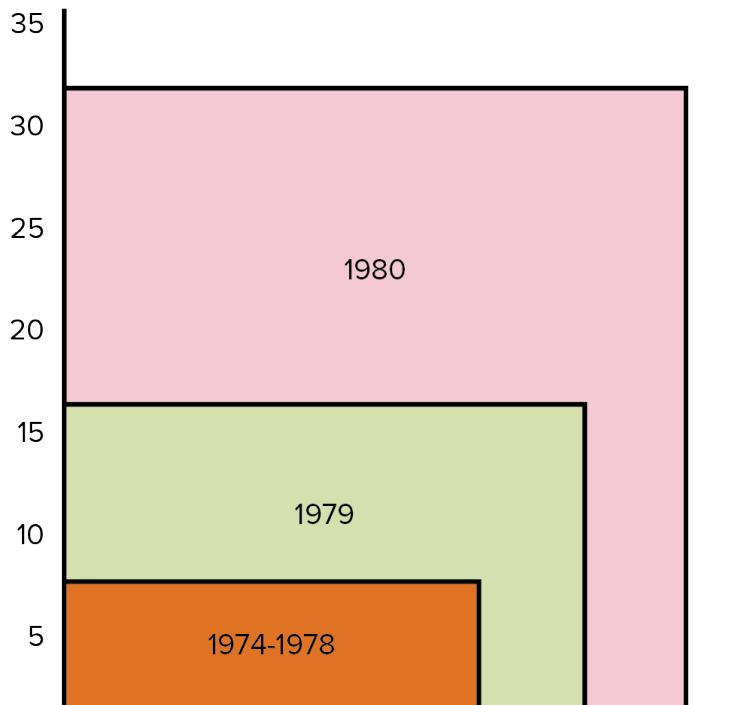




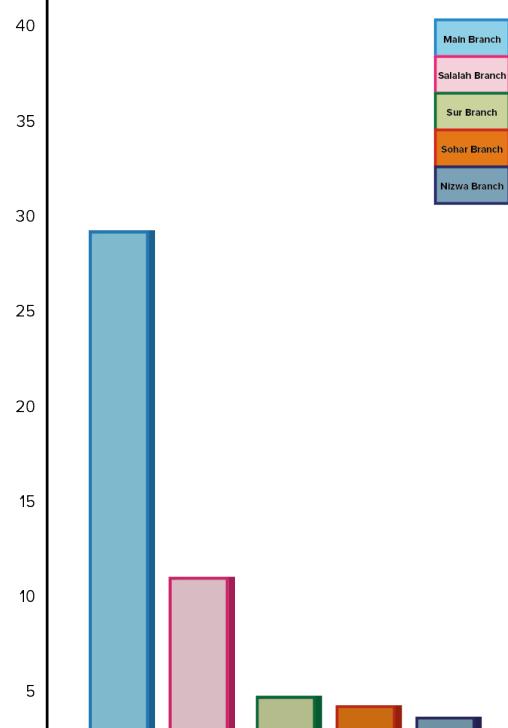
A history full of details

Oman Housing Bank (SAOC) was established on 11.07.1977 as an Omani stock company by virtue of the Royal Decree No. 51/77 with a capital of RO. 10 million, as successor of Oman National Housing Development Co., which had been involved in housing financing in Oman since 1974.

A Graph Shows Accumulative Loans
1974-1980
Amounts in millions OMR



A graph shows distribution of loans approved between
Bank Branches for the years
1974-1980
Amounts in millions OMR



1977-1980



Photo from the Board of Directors meeting held on 27 September 1980

1981-1985

The growth period

In the year 1981, the Bank has seen emense growth where this years activity has equalled the banks activity from 1974 to 1980. This year has also been the first year the banks net profit exceed 1 million Omani Rials.

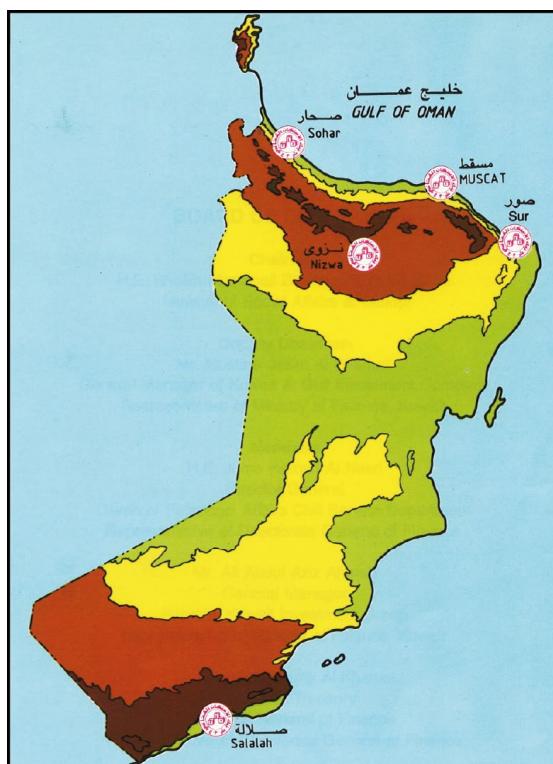


A render of the Bank's headquarter in Muscat in 1981



Photo from the Board of Directors meeting held on 27 November 1982

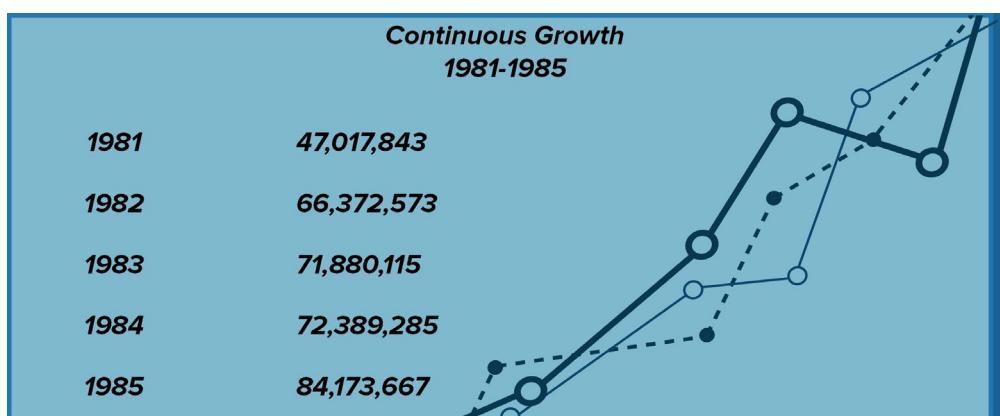
In the year 1982, it was decided on March 20, to raise the Bank's capital by 10 million Omani Rials thus the authorities, issued and paid up capital became twenty million Omani Rials divided into two million shares of a nominal value of RO 10 each.



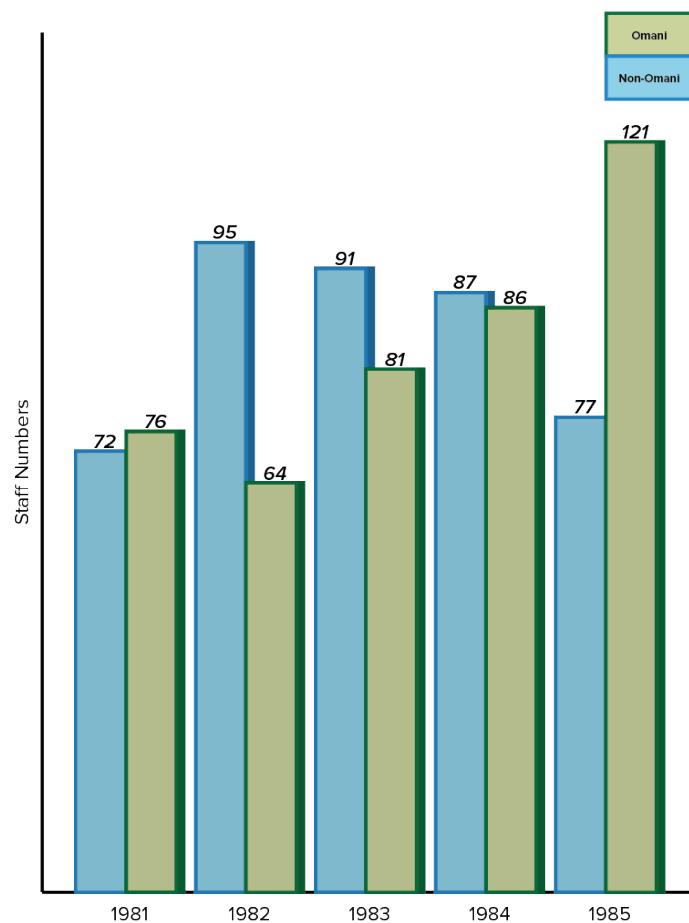
A map showcasing the location of the branches in 1983

Continuous Education

To build up an efficient Omani staff cadre, six Omani students were granted scholarships by the Bank during 1981 to study abroad and have secured diplomas in Banking & Financial subjects. They have joined the bank in 1983 and in addition three more Omani students have been granted scholarships during 1982 and have joined in 1984. Another six students have been selected to be sent abroad to study during 1984, on scholarships granted by the Bank.



Bank's Staff Strength analysed between Omani & Non-Omani
1981-1985



Expanding

In pursuance of its policy of providing services throughout the Sultanate the Bank opened its sixth branch office at Wilayat Khasab.

Muscat



Sohar



Sur



Nizwa



Salalah



Khasab

Khasab

Khasab



A picture of the Banks branch in Wilayat Khasab

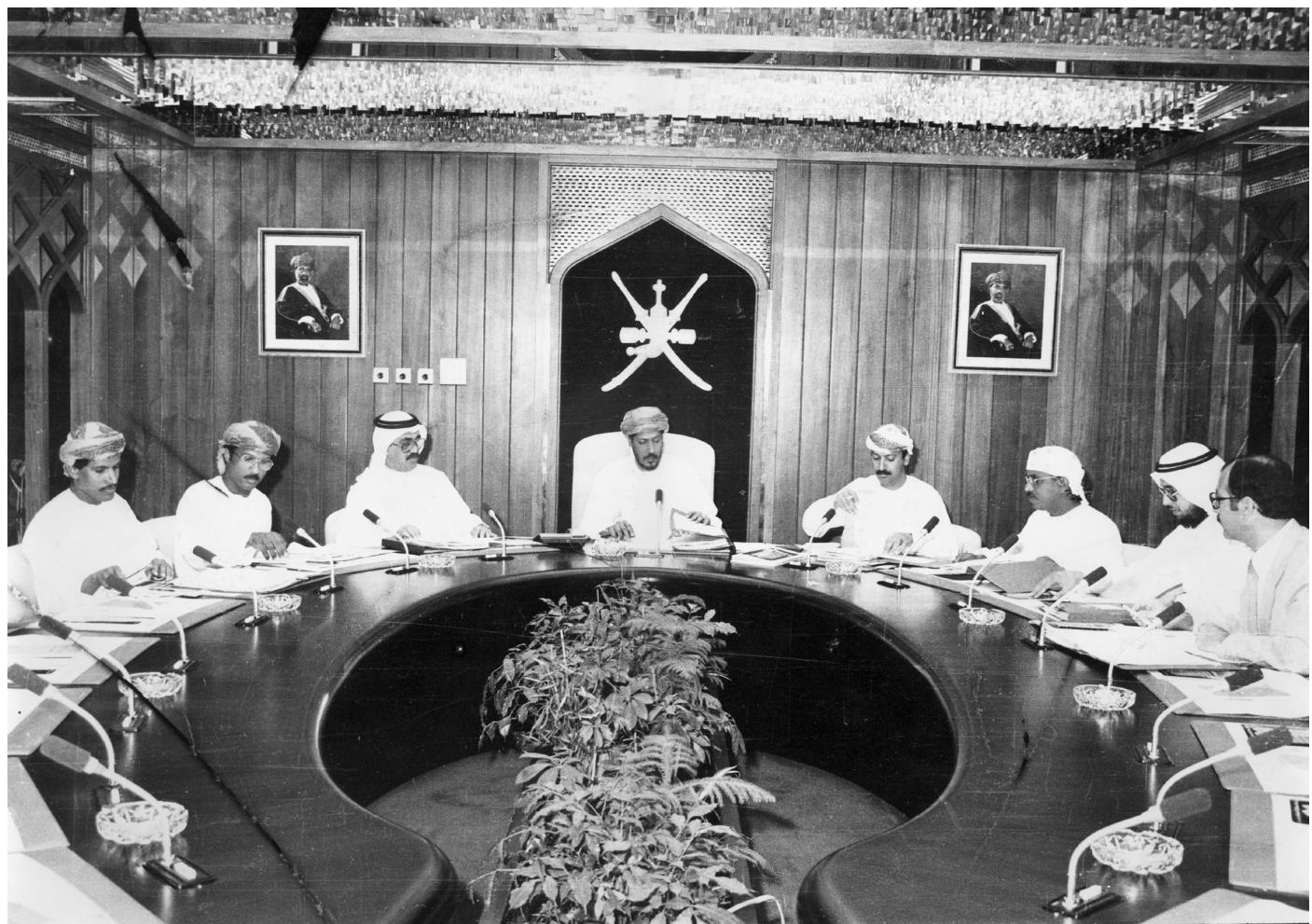


Photo from the Board of Directors meeting held on 7 April 1985



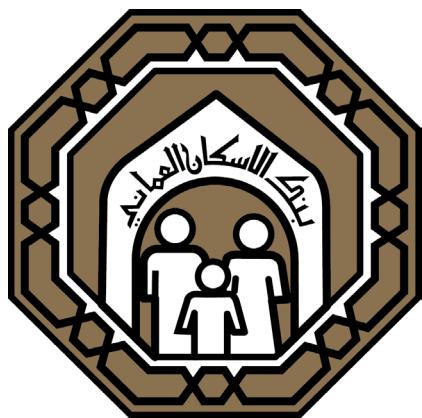
Photo from the HQ construction site at the start of the project in 1985



Photo from the HQ construction site during mid-construction in 1985



Photo from the HQ Construction site at the final stages in 1985



1986-1990

Into a New Era



New Expansions

The number of staff in 1986 increased to 213 employees from 198 employees, this is due to the increase of the banking activities and the opening of the new Al Buraimi Branch. The Omanisation rate has also increased to 67% compared to 61% the year before. The bank's capital has also been increased to 30 million OMR f thereby making the bank's authorized and paid up capital RO. 30 million in order to meet the increasing requirements of the citizens.



Photo from the Board of Directors meeting held on 26 November 1986



Pictures from the opening of the main branch of the Bank under the patronage of His Highness Sayyid Thuwaini bin Shihab Al Said, Special Representative of His Majesty the Sultan, on Monday, April 6, 1987



The Chairman of the Board of Directors explained the bank's systems to the officials of the ceremony



Part of the presence of state officials at the opening ceremony of the main branch



The presence of the Omani staff in explaining the bank's systems to the officials during the opening ceremony

The Computer System

A major development in early 1987 was the computerisation of activities in the Main Branch and Head Office. By 1989 the computerisation has been extended to the other branches.



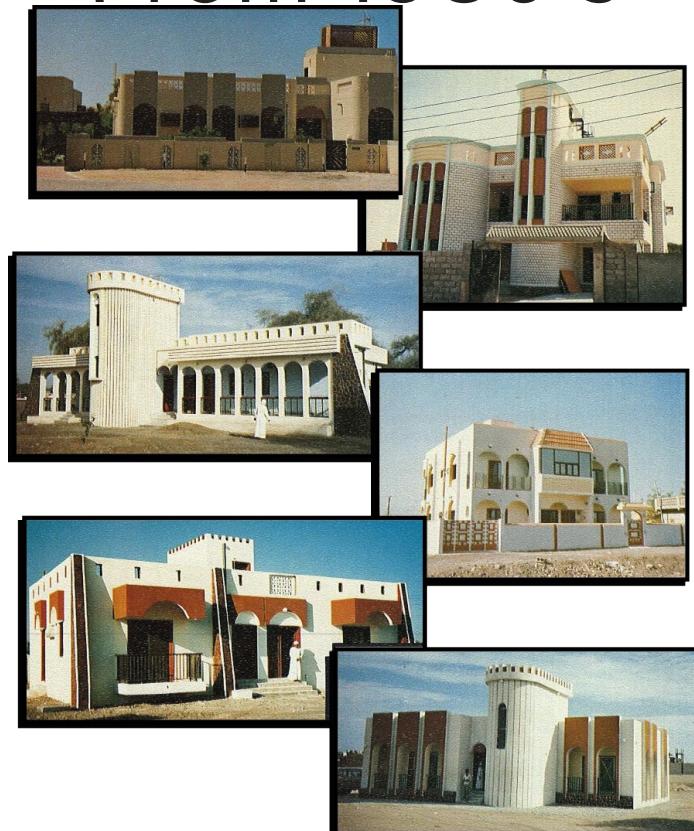
Expanding Branches

By 1989, the bank has expanded its branches to Al Buraimi, Rustaq & Ibra to have a total of 9 branches.



The opening of Rustaq Branch in 8 November 1988

Financed Project From 1980's



New Salalah Branch

The construction work of the Bank's own regional building in Salalah has started in 1989. The Bank hopes to render further better services to the Omani citizens in Dhofar Region.



A render of the Bank's regional building in Salalah in 1989

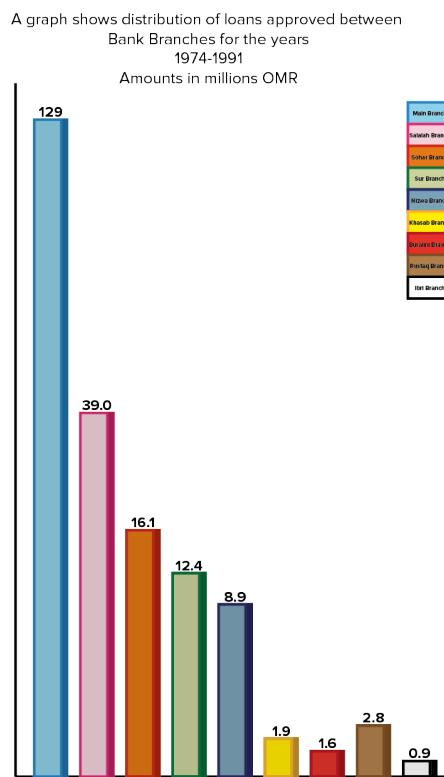
1991-1995

1991-1995

Expanding Further

Record Breaking Demand

By the start of the 1990's the demand has started increasing rapidly, it is noted that by 1991 there were 516 loan applications pending comparing to 206 by 1990.



Fully Omanised

In 1992, the bank's capital had been fully omanised when certain pension funds operating in Oman purchased the stake of the state of Kuwait; hence all shareholders have become Omanis.



Extra Ordinary General Meeting in progress that took place upon 100% Omanization of the Bank's Capital



The executive management team in 1992

Shareholder	Year 1992
Government of the Sultanate of Oman	60.9%
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%
General Organisation for Social Insurance	6.5%
Oman Development Bank	0.1%

Developments of Services

- The maximum loan amount increased to 40,000 OMR from 35,000 OMR to meet the increase in house construction and purchase cost.
- Loan repayment period increased to 19 years for all borrowers with monthly income not exceeding 800 OMR. The period for other borrowers whose monthly income exceed 800 OMR remain unchanged at 14 years.



Salalah Branch in late 1991



Inaguration of the joint seminar 'Modern Trends in Auditing & Control' by Oman Housing Bank & Union of Arab Banks



A view of a residential project that was built in Qurum 19 and Buraimi that is financed by Oman Housing Bank



Signing of a loan agreement in 1995 by H.E. Dr. Omar Al Zawawi, Chairman of Oman International Bank & H.E. Malik Al Ma'amari, Chairman of Oman Housing Bank.



A view of a residential house in Al Jabal Al Akhdar financed by Oman Housing Bank

1996-2000

Into the 2000's

Fully Digitalized

By the end of the 1990's the Bank has fully digitalized its entire operations and have expanded into a new computer system where all branches were electronically connected (With the exception of Khasab Branch due to non-availability of digital lines from the operators at the time).



A view of the main hall at the head office

Training is key

The Bank continued to emphasise on the Omani staff training inside the Sultanate & abroad, in order to raise the level of efficiency and increase staff experience. Training were given to approx. 100 Omani staff members per year.

The Bank has also become a member of Arab Institution for Banking & Financial Studies.

The total number of employees was 265 by the end of 2000 with the Omanisation rate at 96.23% with 255 Omanis and 10 non-Omanis. This ratio reflects the efforts of the Bank to increase the Omanisation rate.



A house financed by the Bank in Muscat



2001-2005

Modernisation



The Bank's staff using computers in the early 2000's to finalise their work

Innovation

With the developments of the new information technology era, where the Internet represents the general platform for handling the information, the Bank strode forward to demonstrate itself as a modern establishment connected to the Internet, as the Bank site has been developed by utilizing its own resources through its technical cadre which joined the computer department, as a result of the Management awareness & appreciation to the importance of the vital role of the information technology systems in enabling the Bank to carryout and fulfill its tasks and continue to provide its lending services to the citizens. With the introduction of E-mail and documentation imaging services which will enhance and improve the staffs levels of performance to accomplish transactions in the high speed and high level of accuracy required.



The Bank's executive management & board have ensured to be the first to use the latest technologies in the operations of the Bank

Sohar Branch Building

As part of the 2004 expansion plan, the Bank has decided to start the building of a new Sohar Branch that will be equipped with the latest technical specifications.

In view of the above, it's clear that the main factor for improving the positions of the bank as well as achieving this good result is an outcome of the continued support from the Government in order to enable the bank to meet the housing needs of the citizens.



Signing of Sohar Branch Construction Agreement in 2003



Render of Sohar Branch Building in 2003



The General Manager with the Department Heads in 2005



The General Manager with the Branch Managers in 2005



2006-2010

Building the Future

The bank has expanded to establish a permanent branch in Sohar that opened in 2006 with the attendance of The Wali of Sohar and a number of the Bank's management.



Photos from the opening of the Sohar branch in 2006 under the patronage of the Wali of Sohar, in the presence of the Chairman of the Board of Directors and the Executive Management

Continuous Growth

The total number of loans granted by the bank to the citizens since it was established in 1977 until 2010 through its branches in the governorates and regions of the Sultanate was 30659 loans at a total amount of OMR 538,175,687.

Branches	Number	Percentage%	Amount (OMR)	Percentage%
Main Branch	14554	47.5	259,209,191	48.2
Salalah	4194	13.7	69,067,051	12.8
Sohar	2667	8.7	41,505,242	7.7
Sur	1929	6.3	31,242,196	5.8
Nizwa	2635	8.6	48,263,352	8.9
Khasab	533	1.7	8,885,000	1.7
Al Buraimi	787	2.6	15,207,155	2.8
Al Rustaq	2223	7.2	43,875,900	8.2
Ibra	1137	3.7	20,920,600	3.9
Total	30659	100%	538,175,687	100%

Approved grant aided loans since the establishment of each branch up to 31/12/2010



A glimpse of the Bank's advertising efforts



2011-2015

Capital Increase

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



Signing an agreement to build the Nizwa branch

Agreements with the commercial banks

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

Agreement for e-Banking System

During the year, the Bank has signed an agreement for the setting up of an integrated banking system, in line with the Bank's plan to provide e-solutions in order to achieve the Bank's housing vision. The state-of-the-art e-banking system would be a paradigm shift in terms of the Bank's operations and services for the benefit of the citizens, by availing modern high-end e-services, along with enhancing the business process efficacy and efficiency while adhering to the international banking standards.



Management meeting held in April 2013



2016-2020

Excellence with Omani Cadre

The bank has attained multiple awards from different local & international bodies to recognize its efforts in providing housing loans in Oman. The bank has been able to achieve record breaking profits with a 99% Omani Cadre.



Some of the awards received by Oman Housing Bank for its excellence at the global level



Agreement signing between Oman Housing Bank & Bank Sohar



Agreement signing between Oman Housing Bank & National Bank of Oman



Oman Housing Bank signs agreement with infoline for an advanced E-Banking System



Celebrating 40 Years since the Establishment of the Bank



Oman Housing Bank signs an agreement to join as a Mala'a member



Signing of legal agreement with Hilal Al Kharusi Legal Services Office in 2020