



بنك مسقط
bank muscat

2017
SUSTAINABILITY
REPORT

People.
Purpose.
Passion.



35

عاماً من الإنجازات
Years of Achievements



His Majesty Sultan Qaboos Bin Said The Sultan of Oman

“The road is long and the goal is far. However, we are confident that this dear country has the necessary cultural and historical elements, and hopes and aspirations for the future, that will enable it – God willing – to implement its domestic and foreign tuition-based state we are striving to consolidate.”

**Speech of His Majesty Sultan Qaboos bin Said on the occasion
of Opening of the 3rd Term of the Council of Oman**

Great plans
lead to great
success



35

عاماً من الإنجازات
Years of Achievements

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Message from Our Chief Executive



The year 2017 was a defining moment as bank muscat marked a milestone of 35 years of leadership as the beacon of banking excellence in Oman. As the bank of first choice, the trail of magnificent achievements includes the spectacular growth from one branch in 1982 to the largest network of 166 branches and electronic channels as well as branches in Saudi Arabia, Kuwait and representative offices in Dubai, Singapore and Iran. Compared to 30 employees at its inception in 1982, the bank achieved 95% Omanisation with over 3,600 employees by the end of 2017.

During the past 35 years, the bank has been closely associated with the progressive march of the nation in all aspects, participating in the country's development projects and complementing the government's endeavours to boost the national economy. Building on the government emphasis to diversify the economy and encourage private sector participation in national development, bank muscat plays an integral part in sustainable development projects.

As the leading financial institution in the Sultanate, bank muscat continues to deliver on its commitment to the people and the nation through strategic corporate social responsibility (CSR) programmes covering various segments, such as youth, sports, education, and SMEs. Sustainability is a running theme in all stakeholder engagement initiatives and activities, ensuring lasting positive benefits aimed at strengthening ties with the local community. Marking the sixth year of the unique Green Sports CSR initiative, the bank supported the development of 78 football fields since the programme's inception. In the educational sector, the bank supported 20 students in the 2016/2017 academic year, bringing the total beneficiaries of Jesr Al Mustaqbal scholarships to 219.

The bank made major strides in green initiatives during the year. Aimed at promoting energy efficient green buildings in the country as part of the Imprints CSR initiative, the bank partnered with the International Finance Corporation (IFC) to provide the necessary know-how and tools on green home financing. A series of environmental awareness workshops were held for students and SMEs to highlight energy saving initiatives. The bank's efforts in going green and implementing sustainable development initiatives were further reinforced with a Meethaq branch identified to be fully operational on solar energy and signing an agreement with Muscat Municipality for construction of a modern public park.

Doing more is the forte of bank muscat - more for the economy, more for the community, and more for the nation. The sustainability and CSR strategy pursued by bank muscat is focused on delivering long-term benefits to the community and the nation. All CSR programmes draw from the bank's values of leadership and partnership, creating a positive impact on society. In pursuit of sustainable development, new opportunities are explored in line with the bank's corporate ethos, motivating employees in creating opportunities to help the community through many initiatives.



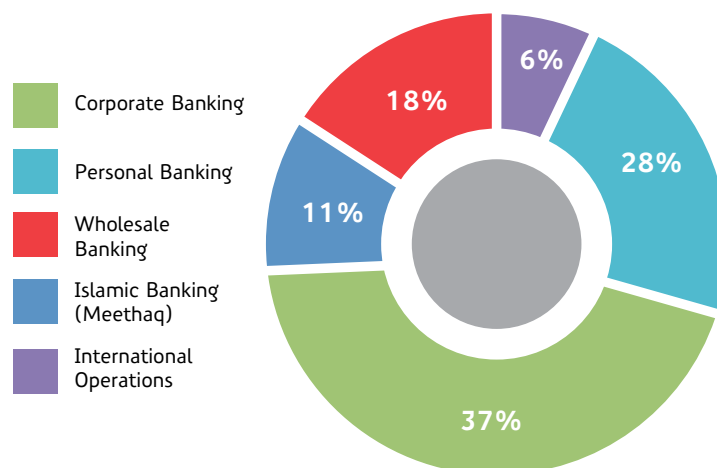
AbdulRazak Ali Issa
Chief Executive

About bank muscat

Founded in 1982 and headquartered in Muscat, Oman, bank muscat is the Sultanate's leading financial services provider and has a proven track record of excellence in service. The bank is publicly listed on the Muscat Securities Market (MSM) and on the Bahrain, London and Luxembourg Stock Exchanges. Its international operations consist of a branch in both the Kingdom of Saudi Arabia (KSA) and Kuwait, and representative offices in Dubai, Singapore and Iran. The bank currently has a 100% stake in Muscat Capital LLC, a brokerage and investment banking entity in KSA.

The bank has a strong presence in Personal Banking, Corporate Banking, Global Institutions and Investment Banking, and Islamic Banking. For full details on the bank's activities, please refer to our 2017 Annual Report.

Portfolio by business segments (% of total assets)



Our VISION

To serve you better every day

Leading in everything we do by offering simplified & integrated banking solutions.

Awards & Recognition IN 2017

bank muscat

'Bank of the Year' – Banker

'Best Bank in Oman – Global Finance

'Best Bank' – Banker Middle East and EMEA Finance

'Top Ranking' – OER Top 20 and Best Bank in Oman Survey by Business Today

'Oman's Most Trusted Brand' – Apex Press and Publishing

'Bond/Sukuk Deal of the Year' – GFC Media Group

'Best Investment Bank' – Global Finance and EMEA Finance

'Best Private Bank in Oman' – Professional Wealth Management, The Banker, Euromoney, and Global Finance

'Best Private Bank' – EMEA Finance

'Best Asset Manager' – EMEA Finance

'Best Trade Finance Provider' – Global Finance

'Best Foreign Exchange Provider in Oman' – Global Finance

Barclays, Wells Fargo, and Deutsche Bank award for fund transfer

Citibank award for error-free fund remittance

Meethaq

'Best Islamic Retail Banking Window in Oman' – Critics' Choice Islamic Retail Banking Awards (IRBA)

'Best Performing Bank' – Al Roya Economic Award

Awarded for innovative CSR initiatives at a CSR conference held in Bahrain

Highly Commended – 'Best Visual Identity in the Financial Services Sector' – Transform Magazine

Our NETWORK

bank muscat maintains a 35% market share, has the largest network of access points, and is the largest employer in the financial sector in Oman.

A glance at 2017	
Employees	3,608
Branches	142
ATMs	416
CDMs	113
FFMs	117
PoS terminals	18,325
Customers	1.9m
Customer deposits	RO 7.42bn
Lending	RO 8.33bn
Net income	RO 176.82m
CSR spending (profits after tax)	0.75%
Omanisation	95%

OUR SHAREHOLDING

Shareholders	%
Royal Court Affairs	23.63
Dubai Financial Group LLC	12.37
Ministry of Defence Pension Fund	6.48
Civil Services Pension Fund	6.17
Public Authority for Social Insurance	5.22
Muscat Overseas Group	3.76
Others	42.37

About this Report



Welcome to bank muscat's sixth sustainability report, covering our sustainability performance in the year 2017.

Celebrating 35 years of operation, 2017 marks an especially important event in the history of bank muscat. It is with great pride that we can share our accomplishments and performance over the past year, while also highlighting some of the key events throughout bank muscat's history as a socially responsible company.

The report covers the period from January 1, 2017 to December 31, 2017 and is limited to bank muscat's Oman operations only, unless otherwise indicated. This report is structured around and focuses on topics identified during our materiality assessment that was last conducted in 2016. This report has been prepared in accordance with the (GRI) Standards: Core option. For the GRI Content Index, please see Appendix C.

Sustainability at bank muscat



Highlights 2017



Our Sustainability **FRAMEWORK**

As the leading financial institution in Oman, the bank holds an important position in shaping the socio-economic conditions in the Sultanate, by contributing to its financial stability and economic growth. bank muscat's customers, ranging from individuals to government entities, remain confident with the bank's services, as it provides them with sound advice, enabling them to make informed financial decisions while responsibly managing its investment and lending. As a result, the bank seeks to proactively manage its material sustainability issues through an integrated management approach.

bank muscat's sustainability framework is designed to pave our path towards successful economic, environmental, and social development.

Support	We aim to support social and humanitarian activities, events, and charitable causes to continue serving local communities.
Accountability	We acknowledge that our activities should support sustainable development through continuous efforts to directly and indirectly benefit society, the economy, and the environment. As such, we aim to develop policies to expand our positive reach and incorporate sustainability into our business practices.
Recognition	We believe in encouraging our employees to undertake voluntary activities. We have systems in place to promote participation in such initiatives, thereby benefitting society, the environment, and the economy.
Development	We are committed to the growth of the economy through the sustainable development of our business. We contribute to this development by working closely with local communities and implementing programmes to benefit society.

Sustainability **GOVERNANCE**

The Sustainability Committee oversees sustainability management at bank muscat and is the supervisory body for all current and future programmes. The Committee is comprised of senior members of management and is a demonstration of bank muscat's commitment to integrating sustainability throughout the company.

In collaboration with the CSR and Sustainability Initiatives Department and the support of our employees, the Sustainability Committee is working to ensure the bank incorporates sustainable best practices in its core business activities and that sustainability is an integral element of our corporate culture.

Our Sustainability COMMITTEE

Name	Designation	Role in Committee
Sheikha Al Farsi	GM – Strategy and Organisational Development	Chairman
Daad Adlouni	Head – Corporate Communications and CSR	Alternate Chairperson
Thomas Totton	Chief Risk Officer	Member
Damian O’Riordan	Head – Internal Audit	Member
Ahmed Al Ojaili	Sr. Asst. General Manager – Business Solutions & Apps.	Member
Osama Al Abdullatif	Asst. General Manager – Project & Structured Finance	Member
Saleh Al Maini	Asst. General Manager – Interior Regions	Member
Ashok Krishna Murthy	Deputy Head – Risk Mgmt. & Head – Credit Risk	Member
Assad Al Kharusi	Head – Products & eBanking (Meethaq)	Member
Munira Al Balushi	Asst. Manager – Internal Audit	Invitee
Wafa Al Zadjali	Head – Credit Risk SME, Risk Classification, write offs	Invitee
Deema Habib	Head – CSR and Sustainability Initiatives	Secretary

Corporate Social RESPONSIBILITY (CSR)

Since its establishment, the CSR and Sustainability section has had an impact on several segments of society, in line with the bank's commitment to provide opportunities for the local communities in which it operates. The bank's programmes have touched the lives of thousands of beneficiaries bringing an overall positive impact to the communities they live in. It is imperative that any initiative taken on by the bank echoes the internal values of the bank with a diligent focus on sustainability, bringing to action the words 'teach a man how to fish, instead of giving him a fish.'

A concurrent theme can be found across established CSR programmes, in which most of them are in partnership with the local Ministries and government bodies. This provides the bank with a reliable platform on which sound information on social requirements can be delivered for action.

Youth & Sports	Green Sports	Greening schools for the physically challenged/ handicapped			
Education	Jesr Al Mustaqbal	Maliyat	Little Investors	Irshad	
Social Welfare	Tadhamun	Public Park	Sponsored individuals in rehabilitation program	Distributed Braille laptops for visually impaired in local university	Local library bus supported with books
Environment	Meethaq Solar Branch	Energy Awareness Workshop	Green Products		
Economy	Al Wathbah Academy	Investment in Tourism			

Further details of the initiatives can be found in the Empowering Communities chapter.

Stakeholder ENGAGEMENT

Understanding and balancing the needs, priorities, and expectations of stakeholders is an integral part of maintaining a prosperous business; hence, since its establishment in 1982, the bank has maintained and built on those relationships. Different channels are utilised to allow open communication between the bank and its stakeholders, allowing bank muscat to continuously improve the process and improve its value.

More information about the ways in which we engage our stakeholders can be found in Appendix B.

Corporate GOVERNANCE

bank muscat is dedicated to maintaining strong corporate governance and business ethics, adopting best practices, and ensuring compliance with laws and regulations to protect shareholder value and reduce liabilities. From our whistleblower policy to our business continuity plan, we have long standing measures in place to ensure that the bank acts with ethics, integrity, and transparency.

The Board of Directors (the Board) is the highest governing body and is responsible for the strategic oversight and decision making within the bank, while our Internal Audit Department evaluates compliance with policies and procedures across our operations. For more detailed information on corporate governance at bank muscat, please visit our 2017 Annual Report.

Our Quality POLICY

bank muscat is determined to be an international best practices leader and strives to remain the bank of choice in all our products and services. Behind our drive to be the best financial institution in Oman, and fundamental to this goal, is our Quality Policy. Our Quality Policy outlines key objectives with attention paid to material areas of our business. To achieve these, we have invested in management systems, such as ISO 9001:2015, to sustain a reputation for quality in all our markets of operation. As per the standard, retail branches, Meethaq branches, and corporate departments were included in the yearly quality audit.

Enhancing Economic Performance

bank muscat's focus is clear: create a sustainable financial platform for society and business and thereby contribute to the Sultanate's economic growth. Committed to sustainable development, the bank utilises every opportunity to strengthen partnerships to further build the nation by creating opportunities for individuals and businesses to grow and prosper and by aligning itself to the Oman 2020 vision. As a forward-looking financial institution, the bank is committed to the development and progress of Oman.

Financial PERFORMANCE

Although oil prices have stabilised, the operating environment continues to present challenges and pressure on liquidity and asset quality of financial institutions in the region. This situation and its cascading effects have impacted the performance of major companies, including the bank.

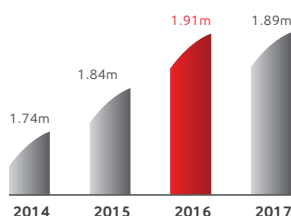
Despite this, the bank has continued to sustain earnings and maintain the quality of its assets. In 2017, bank muscat's net income reached RO 176.82m with operating income reaching RO 435.97m, an increase of 0.1% and 4.8% respectively from 2016.

For more information please refer to the bank's Annual Report 2017 or visit www.bankmuscat.com.

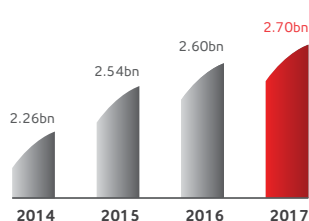
Personal BANKING

In 2017, we witnessed a slight drop of 1% in our personal banking customer base from 2016, yet since 2014 we have seen strong growth at 9%. Personal banking customer deposits continued to grow by 4% from 2016, despite a smaller customer base. Since 2014, personal bank customer deposits have grown by an impressive 20%, reaching RO 2.7bn in 2017. The total value of our personal banking loan portfolio has also grown steadily, increasing by 7% since 2016 to reach RO 2.9bn in 2017, a notable increase of 19% since 2015.

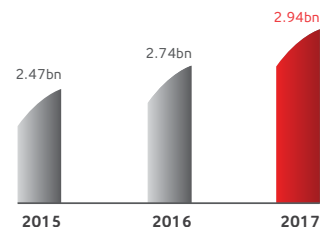
Number of Customers



Customer Deposits (RO)



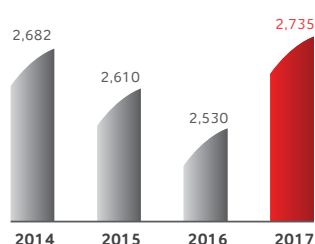
Total Value of Loan Portfolio (RO)



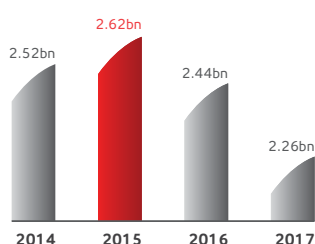
Large Corporate BANKING

In 2017, we witnessed a substantial increase of 8% in our large corporate banking customer base from 2016 and have once again surpassed our 2014 level by 2%. Large corporate banking customer deposits continued to decline by 8% from 2016 and by 10% since 2014. The total value of our large corporate banking loan portfolio has resumed growth, increasing by 2% since 2016 to reach close to RO 3.0bn in 2017, a notable increase of 19% since 2014.

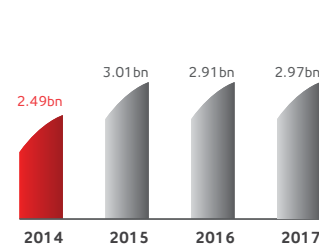
Number of Customers



Customer Deposits (RO)



Total Value of Loan Portfolio (RO)








Improving Access to Services

At bank muscat, we understand our customers' need to have access to banking services whenever and wherever they are, which is why we offer a diversity of banking channels to help ensure our customers' banking needs are fulfilled at any time. As technology increasingly transforms the banking sector, we also strive to integrate the latest technology available as part of our commitment to innovation in banking service excellence.

In 2017, bank muscat converted many of its CDMs to FFM to improve customers' access to our banking services.

Bank muscat

banking channels

-  Branches
-  Mobile
-  Telephone
-  24/7 ATM/CDM/FFM
-  Internet

bank muscat access points	2014	2015	2016	2017
Branches	133	135	141	142
ATMs	435	431	422	416
CDMs	166	156	157	113
FFMs	4	34	58	117
PoS Terminals	10,454	15,472	18,128	18,325

Transactions by mode	2014	2015	2016	2017
Online	294,558	251,478	195,334	164,698
ATM	48,231,863	53,022,384	53,566,228	73,019,952
Branch	4,929,999	4,587,165	4,225,614	3,583,625
Total	53,456,420	57,861,027	57,987,176	76,768,275

Customer EXPERIENCE

bank muscat aspires to always exceed the expectations of its customers by continually seeking new ways to enhance their experience through constant service improvement. In 2017, bank muscat improved our customer complaints and enquiries management system, as well as introduced an online customer satisfaction survey.

bank muscat Stakeholder Engagement Activities

Throughout the year in 2017, the bank conducted customer focus groups with its personal banking, Premier Banking, Asalah, and Meethaq Islamic Banking customer segments. The bank also completed a Mystery Shopper programme, covering its personal banking, Asalah and Meethaq branches, to benchmark its products and services with other banks. The feedback received from activities like these, as well as others, is used to help us identify areas for improvement and the corresponding action plans to enhance our service delivery.

bank muscat, Supporting the Hearing Impaired

As bank muscat is committed to serving all our customer needs, the bank continues to invest in training its employees in sign language, ensuring that hearing impaired customers are not inconvenienced when visiting our branches. The bank is taking this commitment one step further and will be installing a braille ATM machine in the Al Noor Association for the Blind Head Office in Bausher in 2018.

@bankmuscatcare

bank muscat was the first bank in Oman to launch a dedicated social media account on Twitter for customer care in 2016. Since then, @bankmuscatcare has been an immensely effective tool for improving turnaround time in addressing customer issues and has also allowed for increased engagement and learning.



Fraud Awareness Campaigns via @bankmuscatcare

In 2017, @bankmuscatcare launched a campaign to educate the public about fraud and protect citizens against financial scams. @bankmuscatcare is a highly proactive channel to assess key financial situations present in Oman, and, as a result, it has been embraced by the public and now has over 6,700 followers.

Addressing Customer Feedback

In 2017, bank muscat resolved 80% of complaints within the service level agreement (SLA) period and surpassed its target of 75%. The bank maintains its high standards by ensuring its delivery exceeds the target specified.

In 2018, corporate banking is scheduled to open a call centre in order to better meet the needs and expectations of our business customers, by offering them the opportunity to easily make enquiries and log complaints.

Customer Complaints	2014	2015	2016	2017
Complaints resolved within SLA period (%)	88	79	82	80

Fraud awareness campaigns @bankmuscatcare



- Bank Muscat Care** @bankmuscatcare · 27 Nov 2017
We assure you that our e-banking channels, including mbanking, are fully secure. Kindly ignore recordings on Whatsapp regarding our mbanking service. We reiterate that you shouldn't disclose card numbers, PINs & any confidential information, as this could make you subject to fraud
- Bank Muscat Care** @bankmuscatcare · 27 Nov 2017
بالإشارة إلى المقطع الصوتي المتداول على واتساب حول تطبيق بنك مسقط، نود الإفادة بأن قنواتنا الإلكترونية بما فيها التطبيق تعمل بشكل آمن وفق أسس ومعايير أمان قوية. كما نؤكد على ضرورة عدم الإفصاح عن أرقام البطاقات البنكية وغيرها من المعلومات الشخصية والسرية لأن ذلك قد يعرضكم للاحتيال
- Translate from Arabic

Product and Service **INNOVATION**

Our ability to provide new products and services that meet the evolving needs and expectations of our customers has been indispensable to bank muscat's success. We rely on several channels to remain innovative in our product and service offerings and the bank of first choice in the Sultanate. Not only does bank muscat seek to deliver products and services that directly meet our customers' needs, we also search for ways to address broader social and environmental challenges through our product and service offerings.

Shahadati

In 2017, bank muscat launched Shahadati, a special educational loan that gives a major thrust to higher education and to those that seek to attain it. The Shahadati loan is a powerful act of the bank's commitment to the national objective of supporting education for Omani youth at home and abroad. Shahadati covers students' full expenses, including tuition fees, accommodation, transportation, books, and other necessary education related expenses.

Shahadati opens a great opportunity for the future of Omani youth. Quality education is key to securing a promising career in today's labour market, and Shahadati helps to make its recipients' dreams become a reality by removing the financial burden while pursuing their degrees.

Business to Business Connect

Business to Business Connect was launched in 2017 as a solution for companies to connect their enterprise resource management systems with the bank's online corporate banking platform, allowing two-way data exchange. Through this B2B adapter, automated payment and reconciliation becomes a reality, reducing time and energy, both physical and electrical, spent on data entry.

Remote Deposit Capture

Remote deposit capture, or RDC, is a comprehensive online cheque management system for corporate customers through which they can scan cheques at their offices and send the images directly to the bank for clearing. The solution caters to both present dated and postdated cheques and provides real time information on the cheque clearing status. This service has the added benefit of reducing road congestion and branch wait times.

Green Products

In line with the Sultanate's national strategy to adapt and mitigate the effects of climate change, the bank will be launching a suite of products in 2018 to encourage customers and the public to invest in green homes. Incentives will be provided in line with the products for customers looking to have energy efficient homes with options for alternative sources of energy.

Local PROCUREMENT

bank muscat prioritises engaging local suppliers to support local economic development, and this preference is clearly stated in our Procurement Policy. Options outside the local market are explored only when a local supplier cannot provide the product or service needed. In 2016, 86% of the suppliers we engaged were locally-based and 73% of the total value of our goods and services were sourced from locally-based suppliers, which we selected based on the following criteria: competitive pricing, product quality, timely supply, and post-delivery maintenance.

For more information on bank muscat's economic performance, please refer to our 2017 Annual Report.

Meethaq Islamic BANKING

Customer Service

In order to better serve its customers, Meethaq Islamic Banking proactively searches for ways to improve customer satisfaction. In 2017, Meethaq Islamic Banking has increased the number of branches available to serve its customers with 19 branches available throughout the Sultanate.

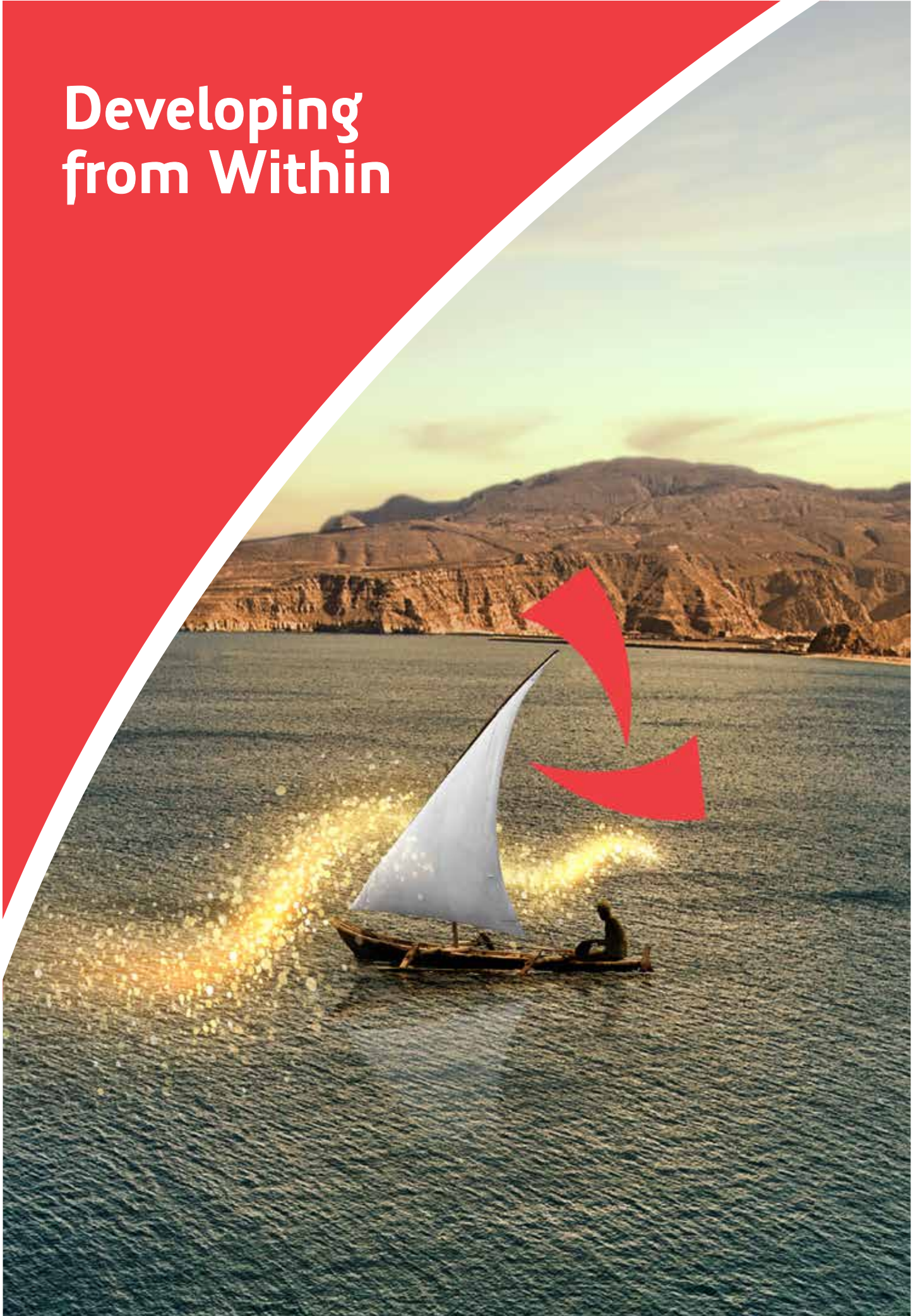
bank muscat has embedded the Meethaq customer complaints and enquiries management system into its central Feedback Management System to better address the various service issues facing Meethaq customers. To offer its clients impeccable service, Meethaq also holds one meeting per region per year to engage its customers in open, honest dialogue, giving customers a valuable opportunity to share their expectations and learn about new products.

In 2017, Meethaq conducted a customer satisfaction survey for Hafawa clients.

Products and Services

Meethaq continues to demonstrate its unwavering determination to cultivate a savings culture in the Sultanate. In 2017, Meethaq launched the Meethaq Savings Plan, a customizable savings plan with a minimum contribution limit starting as low as RO 50 per month. Helping to incentivise saving for the future, the plan also enables those with low incomes to benefit from financial planning instruments.

Developing from Within



Largest employer in the financial sector



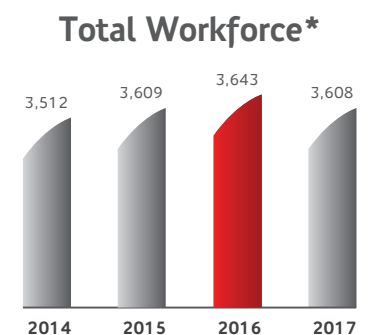
For 35 years, bank muscat has invested in its workforce potential and we are proud of our contribution to human capital development in the Sultanate. We continue to equip our employees with the skills they need to succeed professionally and move into leadership positions through our innovative development opportunities. It is through our workforce's unwavering commitment & loyalty, that the bank is able to maintain a leadership and pioneering position within the Sultanate.

Diversity and Inclusion

bank muscat is focused on attracting the best available talent and follows a meritocratic approach in hiring. The bank ensures equal opportunity, irrespective of a candidate or employee's gender, marital status, tribe, ethnic origin, or religion. In 2017, zero cases of discrimination were identified.

Our **WORKFORCE**

In 2017, our workforce decreased slightly by 1% to reach 3,608 employees. However, our workforce has grown by 3% since 2014. As we seek to realize new growth opportunities, we are keen to improving our impact in the Omani labor market by increasing employment.

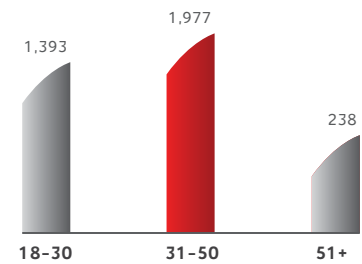


* All bank muscat employees are full-time

Youth employment

Providing attractive employment opportunities to young adults remains a priority at bank muscat. Investing in the future generation is an important aspect of our succession planning and is imperative for the sustainable development of Oman. In 2017, 39% of bank muscat employees were between the age of 18-30, which was slightly lower than in 2016; however, new employee hires aged 18-30 remained high at 80%.

Workforce by Age

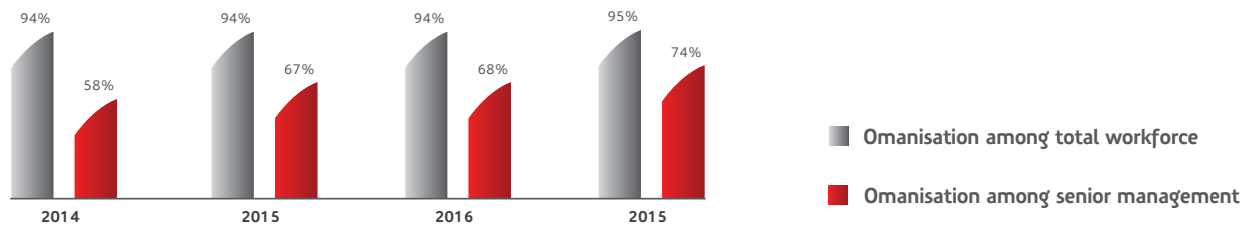


Omanisation

In alignment with Oman's 2020 vision, bank muscat is committed to the hiring and advancement of Omani nationals. In 2017, Omani nationals represented 74% of senior management, an increase from 68% in 2016, and Omani nationals represented 95% of all bank muscat employees, a slight improvement from previous years.

In 2018, a key focus will be to support the Ministry of Manpower's employment initiative. bank muscat will be recruiting 150 Omani nationals who have registered with the Ministry of Manpower. These new recruits will be allocated roles within the bank across various departments, offering them valuable work experience and the opportunity to contribute to the continued success of bank muscat.

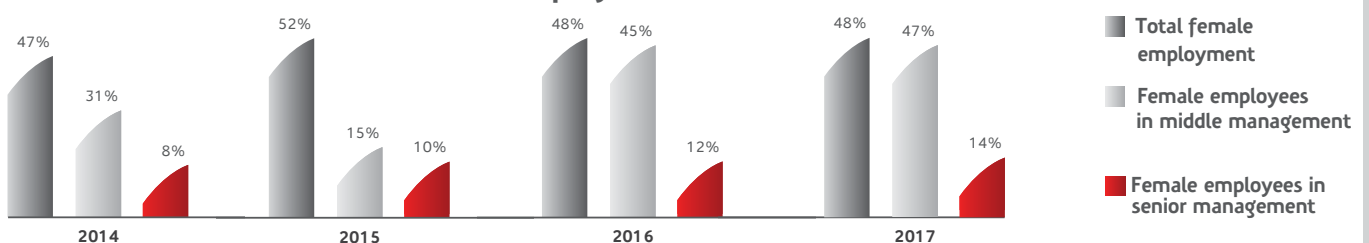
Omanisation



Female Employment

Ensuring equal opportunity in hiring and upward mobility for women remains a paramount facet of bank muscat's commitment to diversity and inclusion. In 2017, the percentage of new female hires decreased from 58% in 2016 to 37% in 2017. Despite this decrease, women still represent around half our workforce at 48%. Women in management positions witnessed some improvement, with 47% of women now in middle management positions, and the proportion of women in senior management has continued to grow from 12% in 2016 to 14% in 2017.

Female Employment



Learning & DEVELOPMENT

The bank is devoted to supporting its employees by providing them the best career advancement opportunities through customised training and development programmes. In 2017, the Learning Centre was instrumental in organising 877 employee training and education courses, amounting to 20,167 people-days of training in total.

Jadara Program

Jadara, bank muscat's multi-faceted talent management programme platform, continued in 2017 with the launch of the 2-year Jadara Graduate Development Programme (JGDP) for 19 high potential graduates. The JGDP is a new addition to the portfolio of programmes that were first launched in 2016. Jadara was instituted to cultivate the managerial and leadership skills of employees to encourage personal and professional growth.

Across the bank, 248 employees were identified for their talent potential and are currently undergoing their Jadara development journey in-line with their Individual Development Plan. In 2018, in an effort to improve the user experience, the Jadara Academy e-learning platform will be revamped.

In total, over 130 employees received certifications through Jadara management programmes.



2017 highlight

In partnership with the Institute of Management Development (IMD), Switzerland, the bank organized a workshop for the Board of Directors. The workshop focused on best practices in corporate governance and the Board's oversight role on a wide range of areas, such as strategy, digital trends in the banking sector, and sustainability. The workshop was conducted as part of the Board's annual development programme.

Jadara Academy

During 2017, the Jadara Academy was highly active in building the competencies of our workforce and expanded the number of opportunities available.

Under the Jadara Programme, the Jadara Academy launched the new 'Tatweer 2.0 Programme', which will bring the use of customized technology in learning along with tools, templates and case study simulators using 'Glisser' software. It will include 37 online modules from Harvard Manage-Mentor Portal, followed by classroom sessions that focus on reinforcing the learnings from the online modules. The programme also includes practical workplace related assignments and projects to help transfer the learning to on-the-job performance. The new Tatweer Programme has been well-received by participants in previous groups wherein more than 345 employees have enrolled.

The Jadara Academy, in partnership with Premier Banking, inducted three new groups to the 'Certified Relationship Management Programme' facilitated by Alpha Development, UK, which is rated as one of the best training providers on wealth management.

The programme has been designed to develop the capabilities of Premier Banking Sr. Relationship Managers & Relationship Managers as they progress in their career and benchmark them with international best practices in wealth management. This will be delivered over three levels and cover 39 Relationship Managers in a period of 3 months as per the following:

- **Level 1:** Advisory & Sales Success
- **Level 2:** Advisory & Sales Enhancements
- **Level 3:** Wealth Management certification exam by the Chartered Institute for Securities & Investment (CISI), UK

The Jadara Academy, in partnership with Personal Banking, inducted two new groups to the 'Jadara Certified Service Managers Programme', scheduled for completion by the first quarter of 2018.

The programme is aimed at helping Service Managers handle responsibilities effectively and covers the following 7 modules:

- Managerial Skills
- Personal Banking Products and Services
- Cash Management
- Operational Processes for Liability Products
- Operational Processes for Asset Products
- Managing Branch Customer Experience
- Managing Branch, Internal Controls, Audit & Fraud Prevention

The Jadara Academy has also added the newly launched 'HR Strategic Partnering Development Programme' to its portfolio of programmes. The programme is provided by the USA Institute RBL, and it is dedicated to building participants, skills and capabilities in strategic HR and leadership to become more effective in delivering strong business results. The current group includes 17 employees and is scheduled for completion by early 2018.

Company-wide training	2016	2017
Total number of training and education courses	697	877
Total days of training (people-days) offered to employees	28,240	20,167
Senior management employees	153	141
Middle management employees	13,132	14,178
Non-management employees	14,955	5,848
Male employees	13,497	9,825
Female employees	14,743	10,342
Average number of training days provided per employee	7.8	5.6
Total employees trained	22,921	14,652
Omani employees	22,012	14,101
Non-Omani employees	909	551

Talent Management and SUCCESSION PLANNING

bank muscat takes a strategic approach to its human resource planning through its Talent Management and Succession Planning initiative, whereby it seeks to attract, retain, and develop key talent within the bank. At the same time, it also seeks to maintain business continuity for all critical roles and identify successors to critical roles. Through various evaluation tools, such as the 9-box potential assessment matrix and critical role assessment exercise, we can identify potential succession candidates for critical roles.

2017 employee education highlights

37 employees completed the Jadara Middle Management Development Programme

32 employees completed the Jadara Certified Branch Manager Programme

29 employees completed the Jadara Certified Service Manager Programme

35 employees completed the Jadara Certified Sales Manager Programme

6 professional certifications were launched

- CAM Diploma in Digital Marketing
- CIM Diploma in Professional Marketing
- ACI Operations Certificate
- Moody's Analytics Certificate in Commercial Credit
- ICA International Diploma in Financial Crime Prevention
- ICA International Diploma in Anti Money Laundering

17 employees were enrolled in the newly launched Jadara HR Strategic Partnership Certification Programme

40 Relationship Managers from Premier Banking were enrolled in the newly launched Jadara Certified Relationship Management Programme

87 employees were enrolled in the Tatweer Programme

1,100 online courses, covering key business areas, provided to 71 staff through Intuition

7,600+ employees completed the following bank muscat e-learning modules:

- Al Mazyona 2017
- bank muscat Insurance
- Credit and Debit Cards
- Home Loans
- Mutual Funds
- Banker Customer Relationship
- Business Continuity Management
- Information Security and Social Media Awareness
- Liability Products
- Retail Enterprises
- Selling Skills
- Vision and Corporate Values
- Anti-Money Laundering

10 projects were implemented to increase staff productivity and process efficiencies to generate cost savings across the bank

CareMore

The CareMore initiative was first launched in 2016. As part of this programme, employees are provided with soft skills training, and employees were recognised for the positive relationships and interactions they had with customers. In 2017, the CareMore campaign highlighted glowing feedback about our employees that was shared company-wide and via videos featuring the employees.

Employee ENGAGEMENT

bank muscat endeavors to ensure that all its employees are motivated and satisfied with their work lives. In addition to our training and development programmes and annual performance reviews for all employees, bank muscat relies on several channels to grow and enhance relationships with our employees. Employee engagement is an essential part of our stakeholder engagement, and our success in engaging our employees is reflected in low turnover rates. In 2016, employee turnover was 6%, down from 10% in 2014. Female and youth turnover have also experienced notable trends. In 2017, female turnover was 5%, while youth turnover (age 18-30) was 6%, down from 8% and 14% respectively from 2014. Employee absenteeism is also very low and was only 1% in 2017.

Facebook @ Work

In 2017, bank muscat launched 'Workplace' by Facebook to improve collaboration and idea generation among employees. In 2018, bank muscat will implement an online HR helpdesk for all staff banking related services. The tool will be on the same platform as the external customers of bank muscat.



Meethaq Islamic **BANKING**

In line with the bank's commitment to providing rewarding learning and training opportunities, Meethaq launched the Jadara Certified Branch Managers Programme for Meethaq Islamic Banking in collaboration with the bank's Jadara Programme. The programme aims to provide branch managers with the complete suite of knowledge and skills required to succeed in their role and create the mindset to combine operational and customer service excellence with a strategic perspective for sustainable progress. The first group of 53 employees covers all Meethaq Branch, Service & Sales Managers and is scheduled for completion by early 2018.

Empowering Communities



Most extensive reach of CSR programmes in the Sultanate

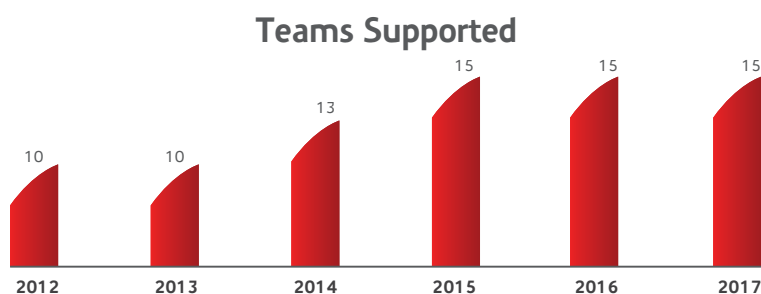
In its 35th year of operation, bank muscat continues to break boundaries as not only a pioneer in the financial services sector, but also in CSR. We have dedicated considerable resources to address key social issues in the Sultanate as part of our stakeholder engagement to strengthen ties with local communities. Our Sustainability Committee has been instrumental in delivering on the bank's commitment to sustainable development throughout the communities in which we operate.



Green Sports

Now in its 6th year, Green Sports brings together different generations around the goal of creating an active, sporting nation. Since 2012, Green Sports has continued to grow in popularity, reaching nearly 80 local football teams. In 2017, over 85 applications were received to participate in the programme from local football teams across the Sultanate. In total, 15 new teams were provided with support this past year.

Not only popular with sports enthusiasts, Green Sports maintains broad support from the wider community as the constructed fields also serve as important multifunctional meeting places, offering venues to host events, celebrate and build community cohesion in the process. This past year, the bank has also announced its commitment to construct football fields in schools for the physically challenged/handicapped.

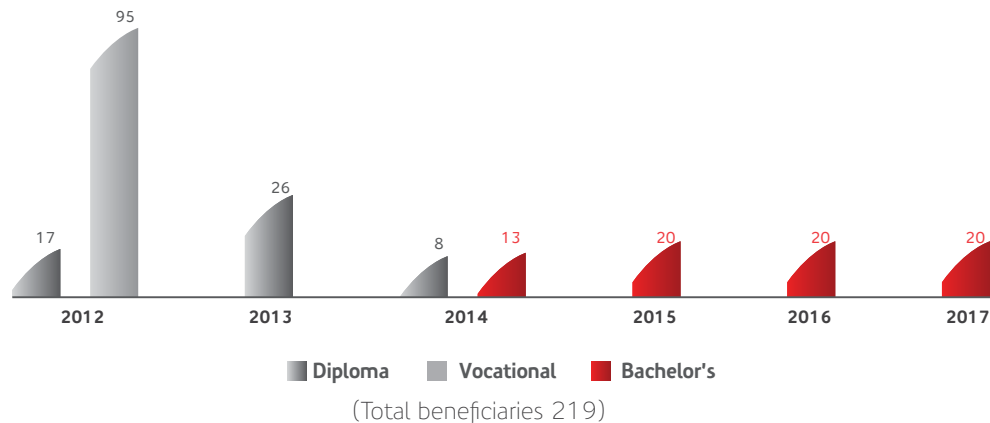


(Total supported teams 78)

Jesr al Mustaqbal

Since 2012, the 'Jesr al Mustaqbal' (Bridge to Future) programme has provided Omani youth under the social welfare umbrella with educational scholarships, helping to improve their chances of upward social mobility. In 2014, through a partnership with the Ministry of Higher Education, the programme was expanded to focus on supporting youth to obtain a bachelor's degree. As part of its ongoing efforts, the bank sponsored 20 students in the 2016/2017 academic year, bringing the total number of beneficiaries to 219.

Jesr al Mustaqbal Beneficiaries

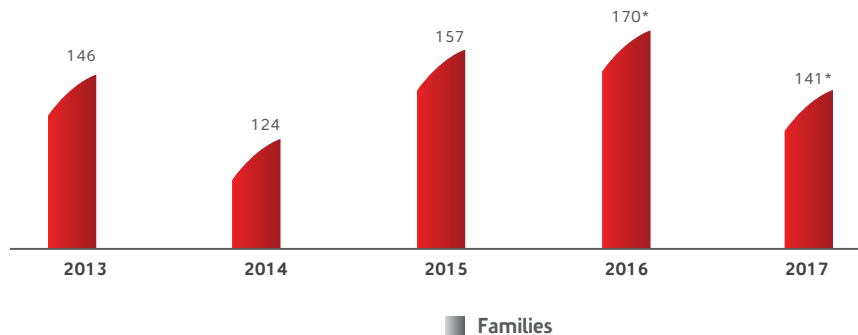


Tadhamun

Tadhamun, bank muscat's annual CSR programme, implemented in partnership with the Ministry of Social Development, focuses on families under the social welfare umbrella by providing them with basic home electronic appliances for a better quality of life. The bank has distributed air-conditioning units, refrigerators, freezers, and washing machines, among other items, to over 500 families across the Sultanate, touching the lives of thousands of Omanis in the process. The programme has also sought to invest in different segments of society, including a charitable organisation, where air conditioning requirements were provided for.

In 2017, the bank sought to further ingrain a spirit of partnership by encouraging staff to help with the distribution of items, which has fostered a feeling of unity and belonging among bank muscat employees.

Tadhamun Beneficiaries



* Provided hearing aids for 10 children under the age of 4 - 2016

* Provided air-conditioning units towards a local charitable organisation - 2017

(Based on average family of 3 estimated reach 2,953)

Case Study: Green Sports

By far the bank's most popular CSR initiative, the demand for the Green Sports programme has grown exponentially since it was first launched in 2012. The primary objective of the programme is to support registered Omani football teams by providing them with green fields, hence its name, Greens Sports. Through Green Sports, it is bank muscat's aim to create a more active, sporting nation.

The programme's requirements are that teams become administratively organized with a role assigned to each member of the board. A more structured mechanism is therefore put in place for each team, making it easier for them to receive support and be held accountable by members of the community.

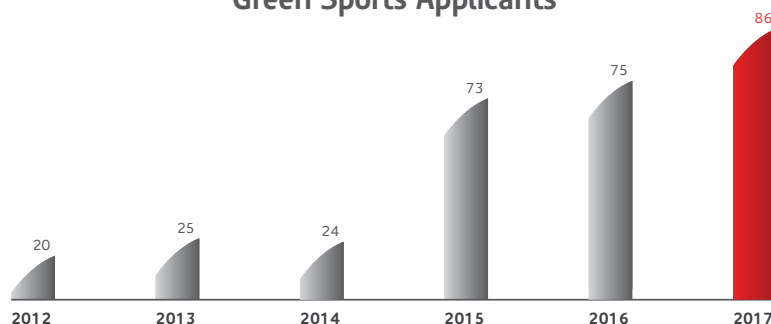
Much more than just a field for football, the fields host a range of sporting activities and community events that enhance social cohesion. As a result, Green Sports not only serves thousands of passionate sports fans, but a much larger section of Omani society, providing green spaces suitable for sports and social events throughout the Sultanate.

In 2017, there were 86 applicants, a remarkable 330% increase from just 20 applicants in 2012, 15 fields were inaugurated, and registration opened for new teams. Since the programme's inception, 78 teams have been supported and 36 fields have been inaugurated in total.

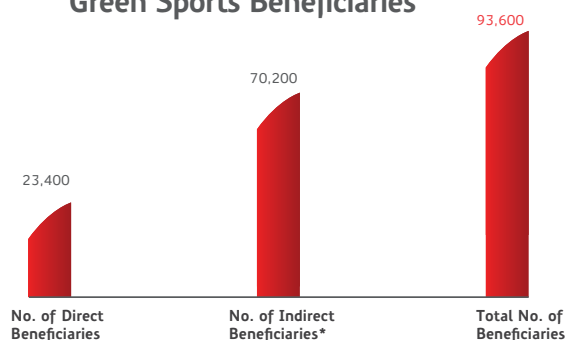
It has also been noted that teams have been able to reach their goals of greening their fields, erecting floodlights or installing desalination machines at a much faster rate than was previously seen. This is due to the encouragement received from the bank for teams to tackle their challenges by using the guidelines provided on the application forms and requirements.

Teams have begun mobilizing within the community, in which the shift has been made in the length of time taken to complete a project and the type of support requested e.g. desalination machines and floodlights.

Green Sports Applicants



Green Sports Beneficiaries



(*Based on 300 members per team.)

Eligibility criteria

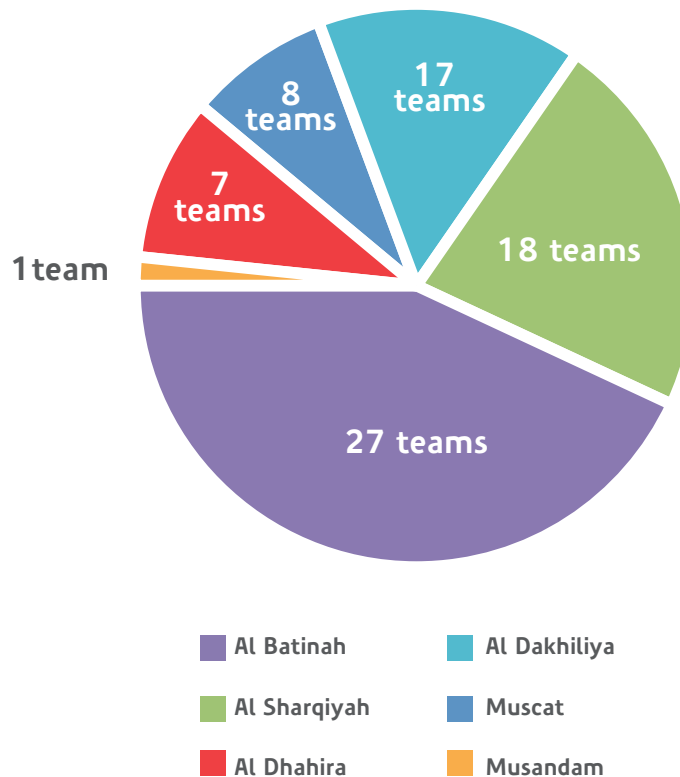
To be eligible to apply to the programme, the bank has set several criteria. As part of the criteria, the applicant team must have a minimum of 300 members, demonstrate the team's positive effect on their community through regular events and/or volunteerism, and must demonstrate it is financially able to maintain and operate the playing field.

Future plans

Following its tremendous success and its many contributions to communities, bank muscat is considering the following:

- Continuing to expand Green Sports' reach throughout the Sultanate by working with the local communities to reach their goals
- Equipping the fields with solar power and environmentally friendly LED lighting
- Establishing football schools for children at various Green Sports locations

Green Sports Beneficiaries by Region



Imprints initiative



Launched in 2016, Imprints was formed to encourage vital, long-standing, value partnerships. The CSR campaign has made great strides over the course of 2017, full of achievements and programmes exceeding their targets. Imprint's success has further cemented the bank's relationship with government entities and provided local SME's with incomparable opportunities.

Imprints was launched under four themes: financial literacy, investment in tourism, saving energy, and green space. Key concurrent objectives are to support the diversification of the economy, saving and healthy lifestyles.

Financial Literacy

Maliyat – Financial Literacy Certification Programme

bank muscat continues to break down boundaries and engage with its customers and stakeholders. To help Omani citizens and residents fulfil their responsibility towards family and their community, we have created Maliyat, a personal finance certification module that will be brought to the public in 2018. Maliyat is a set of learning tools to teach participants how to manage their finances and know their financial potential.

The programme is broken down into 3 parts:

Part 1: An in-depth review of Oman's revenues and expenditures to give a broad understanding on how the Sultanate's government strives to make the life of Omani citizens better in every way.

Part 2: A deep dive into the financial best practices relevant to the age group of the participant.

Financial awareness for career starters (20 - 24 years)

Financial awareness for mid-career professionals (25-35 years)

Financial awareness for young families (35+ years)

Part 3: A certification process following a capstone module on financial best practice.

Little Investors

Little Investors is integral to fulfilling the bank's responsibility towards empowering the community from a young age. Little Investors aims to develop children's knowledge of finance and to equip them with the skills to become future entrepreneurs. In partnership with the Ministry of Education, the programme is currently being delivered to train 10,000 students. In 2017, we surpassed our training target of 5,000 by over 500 students from government schools in Muscat and Al Batinah alone. The programme will continue in 2018 to cover Al Dhahira, Al Sharqiya, Al Dakhiliya, and Dhofar regions. The programme has also targeted a school for the deaf as part of Little Investors in 2018.

Irshad

bank muscat brings decades of financial experience to the table with Irshad, a financial coaching clinic that is located at the bank. A wealth of knowledge will be tapped into by creating a platform in which the bank's management will meet with local SME's, individuals, and staff to guide them in reaching their goal of optimum financial efficiency.

Awareness Campaign with Public Authority for Consumer Protection

There is a continued need for public financial awareness campaigns, as we increasingly find claims of people being targeted for false advertising, phishing activities, and a range of other scams. As a result, in partnership with the Public Authority for Consumer Protection, bank muscat launched an awareness campaign to educate the public on misleading communication and the benefits of saving and financial planning. Messages appeared on all available platforms, including social media, newspapers, billboards, radio and TV. The campaign concluded in October 2017, but the messages continue to resonate on all bank communications as a continuous reminder to our followers, customers, and stakeholders.

Investment in Tourism

Tourism will play an increasingly central role in the Sultanate's economic future. Considering this, the bank seeks to invest in local communities for sustainable and eco related tourism opportunities. In partnership with the Ministry of Tourism, bank muscat is working to facilitate sustainable income generating solutions in rural communities within Oman.

Saving Energy

Alternate Energy Awareness Workshops

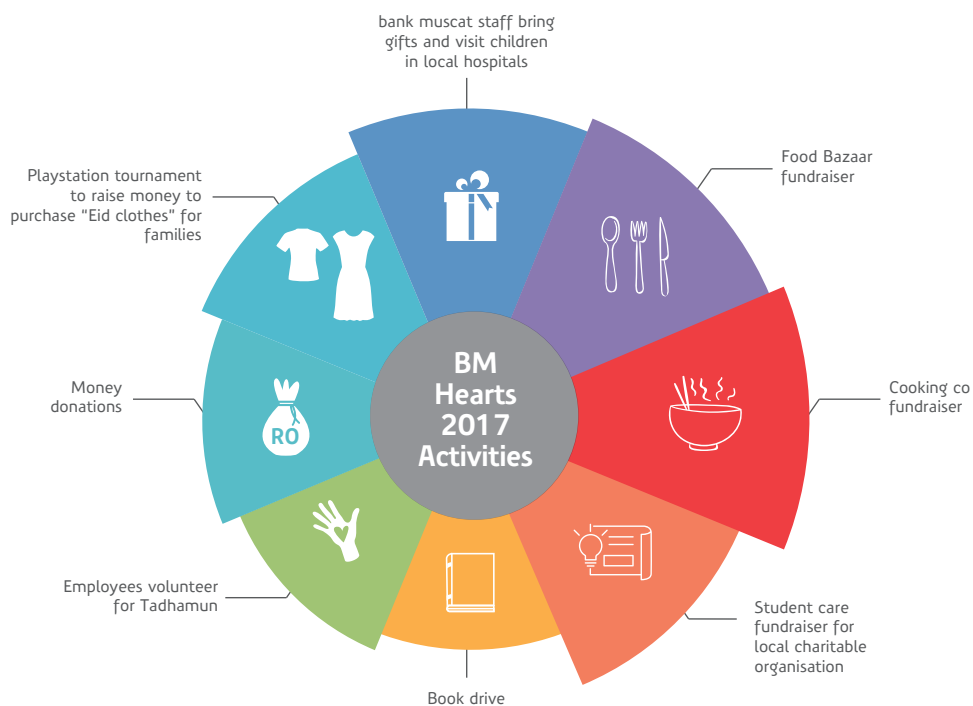
As part of the bank's strategy, it takes a holistic approach towards its green initiatives with awareness building always being a fundamental element. In 2017, over 1,500 students of all ages and SME's were given customised workshops on environmentally conscious best practices and investment options in alternative energy sources. In addition, bank employees will also be undergoing a workshop benefitting from the bank's many initiatives in 2018.

Green Space

In 2016 and in celebration of the 46th National Day, bank muscat announced the intention to build a modern public park, in partnership with Muscat Municipality as a gift to the nation. In 2017, bank muscat signed an official agreement with the municipality and will begin moving forward with construction. This grand gesture will provide the public with a unique location for leisure, exercise and entertainment. The park is set to foster a sense of belonging and affinity to the natural environment for old and young alike and integrates alternative energy sources for lighting along with other environmentally friendly features.

bank muscat Hearts

CSR plays an integral role in the bank's culture, and with the recent re-launch of bank muscat Hearts (BM Hearts), our staff-based volunteer group, we encourage every employee to take part in community-based volunteerism. In the past, employee volunteerism for socially responsible activities and fundraisers has taken place in a mostly ad hoc manner, but going forward, BM Hearts will organise the causes, initiatives, activities, and allow for employees to take active ownership over the projects.



SME Support

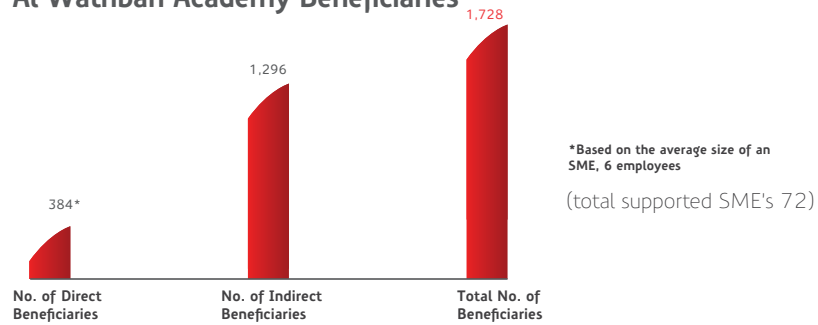
Small and Medium Enterprises (SMEs) play a major role in the Omani economy as a key source of economic growth and job creation. Due to the importance of this sector in the economy, bank muscat has leveraged its expertise in SME banking to promote learning and skill development among entrepreneurs through innovative CSR programmes.

Al Wathbah Academy

In line with the bank's commitment to sustainable development, the Al Wathbah Academy was launched in 2014, and has since expanded to other locations in Oman since 2015 because of its popularity and success. As it continues to gain momentum, the Al Wathbah Academy's impact is clearly marked in the successful SME's that have graduated from the programme. In total, 64 entrepreneurs have graduated from the Al Wathbah Academy since 2014.

Location	Year	Graduates
Muscat	2014	12
Sohar	2015	12
Salalah	2015	12
Muscat	2016	14
Nizwa	2017	12
Sohar	2017	10

Al Wathbah Academy Beneficiaries



Meethaq Islamic Banking

In 2017, the Meethaq Accelerate SME portal was launched in partnership with Thomson Reuters. The online portal offers business owners an end-to-end resource to help them grow while maintaining Shariah compliance.

MEETHAQ Islamic Banking | Thomson Reuters

أكسليريت المشاريع الصغيرة والمتوسطة عُمان

بالشراكة مع ميثاق

هدفنا تطوير وتمويل الشركات الصغيرة والمتوسطة في الشرق الأوسط عبر تقديم الحلول التي تلبي احتياجاتها المالية والشرعية والامتثال. نحن نقدم خدماتنا عبر منصة إلكترونية متكاملة تساعدك على إدارة أعمالك بشكل أفضل. انضم إلينا اليوم وابدأ رحلة نمو شركتك.

ابدأ من هنا

- شركة قائمة: "انطلق إلى تعزيز نمو شركتي وتحقيق الاستفادة"
- تطوير الشركة: "انطلق إلى الإلتقاء بشركتي والتوسع في نطاق أعمالها"
- شركة ناشئة: "لدي شركة مسجلة حديثاً"
- قبل تأسيس الشركة: "انطلق لإطلاق شركة جديدة"

Case Study: SME Success Story

Rawai' Al Shamikha

Alia Al Nabhaniah is the owner of the poultry farm, Rawai' Al Shamikha, in Manah, Oman. She was recommended to Al Wathbah Academy as part of the 2018 Academy. Here are some of the highlights on Alia's entrepreneurial journey:

2012 - Alia begins her business at home with 500 chickens and without proper climate controlled facilities. Her business growth is limited by two factors; first, fluctuations in temperature, and second, the capacity of her home. Alia realizes a great demand for fresh chickens delivered to homes and in 2013 expands her business.

2013 - Alia expands her business and signs a 10-year lease on a property in Manah. The property is 5 Feddan in area. Her monthly poultry capacity increases to 4,500 chickens per month.

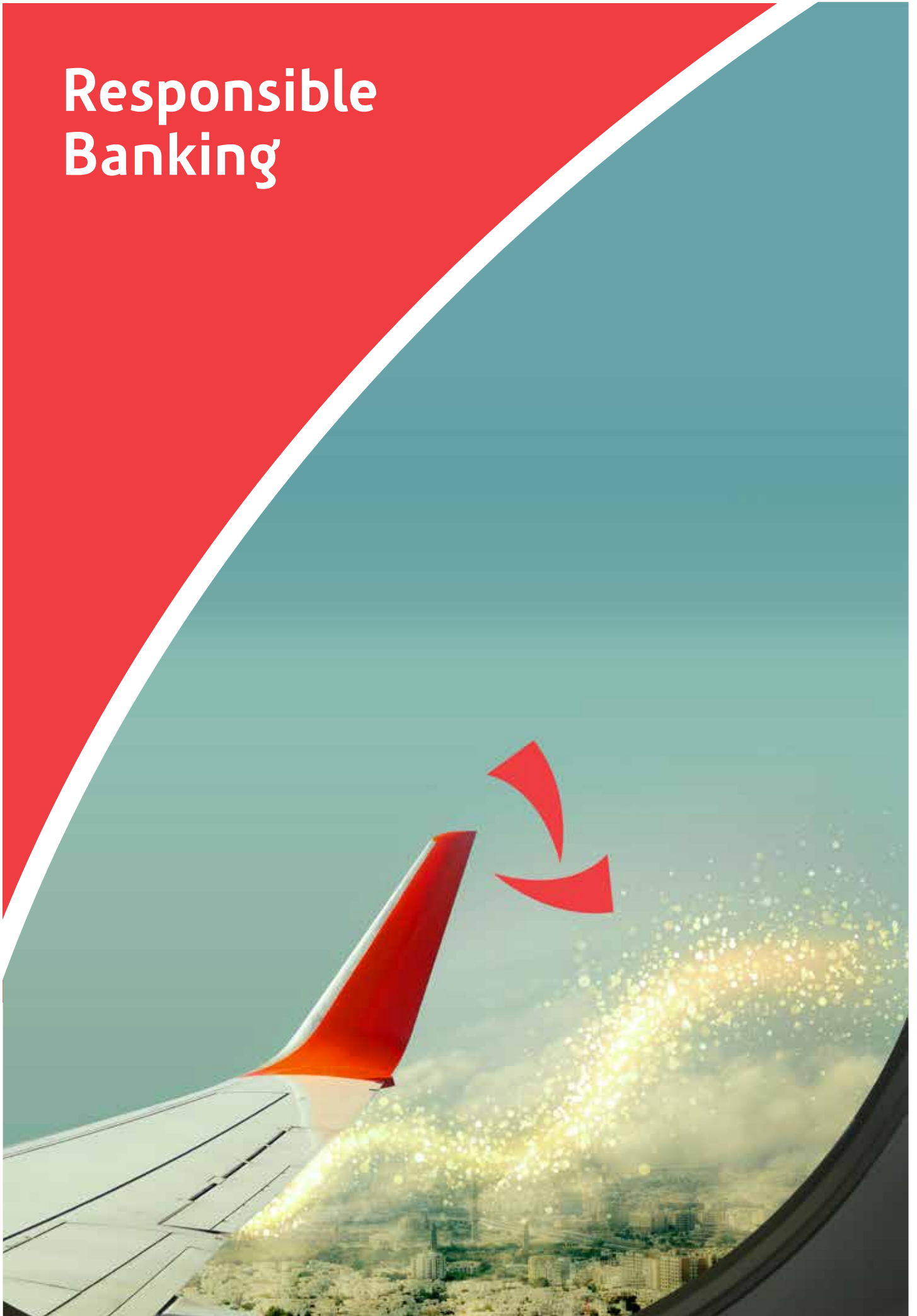
2017 - Alia joins Al Wathbah Academy, seeking to gain insight into how to grow her business. At the beginning of the program, her capacity is 9,000-15,000 chickens per month.

2018 - Alia builds a new climate-controlled facility. By the end of Al Wathbah Academy, her capacity increases to 24,000 chickens per month. Alia has requested a permanent property that will more than double her land (for raising chickens, agriculture, and chicken processing), and currently working with the Ministry of Commerce and Industry to secure appropriate approvals for this long-term expansion.



The facilities Alia used at the beginning of the program are depicted above (left). In 2018, she added a new climate-controlled facility (middle, left). She has also renewed her lease for an additional 10 years on the property. Alia credits Al Wathbah Academy with helping her understand the leadership fundamentals that will enable her to successfully manage her growing business.

Responsible Banking



First bank in the Middle East to sign the Equator Principles

We strive to operate our bank responsibly by advancing sustainable, socioeconomic development through our risk management approach and lending practices, CSR activities, and by optimising our operations to reduce our direct environmental impact. When bank muscat signed the Equator Principles ten-years ago, we committed to incorporate sustainable best practices into our corporate lending activities by managing environmental and social risks. bank muscat is also committed to supporting our customers to make responsible financial decisions throughout all stages of their lives.

From our guidelines to ensure responsible marketing and lending, to our financial education initiatives and SME lending, bank muscat is serving the communities we operate in and supports the stability of the financial system through implementing responsible banking measures.

Risk management

Risk management plays an integral role in safeguarding the assets and investments of our shareholders and customers and is at the heart of decision making at the bank. The Risk Management Department's vision is aligned with the bank's vision and is committed "To increase shareholder value, instill confidence in the marketplace, and alleviate regulatory constraints through prudent and pro-active risk management in line with global best practices in risk management techniques."

The table below displays some of the key risks identified in 2017 and bank muscat's response to proactively manage these risks.

Key risks	bank muscat's response
Increase in credit risk due to continued low oil price, resulting in challenges within the operating environment	Notable pro-active measures taken by the Bank, like regular meetings with customers to understand their constraints and requirements in the current operating environment, continuous monitoring of accounts, and implementing risk-based pricing.
Increase in liquidity risk	bank muscat conducted dynamic liquidity stress testing, under the bank's Liquidity Assessment and Management Process (LAMP) and monitoring to ensure a robust contingency funding plan is in place to meet liquidity requirements under stress scenarios.
Continuous threat to information security through cyber attacks	bank muscat upgraded the data loss prevention system and included gateway monitoring to enhance the security incident monitoring / response and data loss monitoring.



The Institute of International Finance (IIF)

bank muscat is a member of the IIF, a leading global association of financial institutions with close to 500 members from over 70 countries. The mission of IIF is to support members in managing risks, advocate regulatory financial and economic policies that are in the broad interest of its members, and foster global financial stability and sustainable economic growth.

Equator Principles

We recognise the importance of climate change, biodiversity, and human rights, and believe negative impacts on ecosystems, communities and the climate should be avoided and/or mitigated. Since 2007, the bank has been one of 92 global signatories of the Equator Principles. The Equator Principles were adopted to ensure that we are financing projects where environmental and social risks are being managed properly.

We believe that adoption and adherence to the Equator Principles offers significant benefits to our clients, our stakeholders, our business, society, and the environment.

Social and Environmental Management System (SEMS)

The bank continually endeavors to ensure effective social and environmental management practices in all its activities, products, and services, with a special focus on ensuring that all activities undertaken by the bank are consistent with the Board approved SEMS policy. The SEMS policy was adopted by the bank in addition to the procedure to comply with the Equator Principles. We have also implemented social and environmental management procedures for providing loans to customers.

Large corporate departments are required to ensure all projects/loans/investments are reviewed and evaluated against social and environmental requirements. Then, the Environmental Manager ensures that investment decisions are supported by appropriate documentation at the time of the customer's request for a loan, including a social and environmental screening checklist which is used as part of the loan review and disbursement process for companies falling in a major risk sector.

Protective Services:

Physical Threat: Routine checks of all branch and ATM security systems were conducted in 2017 to ensure that facilities remain protected.

Health, Safety and Environment (HSE): People are the bank's most valuable assets, and we are committed to ensuring that all staff operate in a safe work environment. In 2017, the HSE unit focused on conducting branch fire drills and branch safety inspections and awareness sessions.

Customer Privacy

The bank complies with Article 72 of the banking law relating to customer confidentiality. As a policy, we do not disclose customer information to third parties without prior customer consent or the Central Bank of Oman's approval.

Case Study: Taking Proactive Measures Towards Stressed Accounts

The bank's contracting sector portfolio stands at RO 1.16bn, which represents 20% of the total large corporate banking portfolio, with the top 20 accounts representing 70% of the contracting exposure, which are also mostly government owned. Considering the current economic downturn, pressure has been placed on new project budgets and delays in obtaining government receivables have exerted pressure on the performance and profitability of our customers across various industry sectors, especially the contracting sector.

As a result, the bank conducted an exercise to assess the quality of our asset book and explore alternative means to improve and/or maintain its quality and to avoid any slippages going forward.

Objective:

Conduct a detailed review of the contracting portfolio to assess the health of the portfolio achieved through:

- Analysis of business segment
- Borrower's financial strength
- Borrowers' business model and diversity
- Evaluation of owner's capabilities

Based on the outcome, customer specific measures and strategies were developed, which included tailor made sustainability solutions unique to the company's situation.

Approach/Process:

- Identification of all contracting accounts and mapping of portfolio with outstanding exposure and risk rating
- Diagnosis of financial health with key parameters
- Understanding of financial and market standing of owners and their ability to support the company under current economic trends
- Business strategies and prospects of the borrower

Outcomes:

The bank has identified several key considerations to balance prior to financing new projects:

- Measure the order book strength – ensuring the borrower has an adequate order pipeline helps us to understand their future cash flows.
- Assess financial strength of the parent – ensuring there is added support during rough patches.
- Avoid takeover of project specific limits from other banks mid-way through the project.
- Ensure financial closure of project owner before extending facilities to engineering procurement contracting companies for large private sector contracts, on a case-by-case basis.
- Moderate exposures of foreign-based companies.

Additionally, management will individually appraise those top 20 accounts representing 70% of the portfolio on a periodic basis, and specific case-to-case action will be taken on stressed accounts. While balance accounts will be presented to a committee within the business team to determine which actions taken on stressed accounts will be reported. This exercise has since been rolled out to other stressed accounts across various sectors. For performing accounts, account level strategies have been developed to either grow, maintain or exit the relationship.

Financial Crime Prevention

As fraud and money laundering are the two most common crimes seen within the financial services sector, bank muscat continues to place combating financial crime and associated compliance requirements high on its corporate agenda.

In 2017, bank muscat published its Anti Money Laundering Policy on the corporate website, and all staff were provided with training on Anti Money Laundering. The bank has a dedicated Money Laundering Reporting Officer who is supported by a fully qualified Anti Money Laundering (AML) team. They utilise systems to monitor transactions on an on-going basis and report suspicious transactions to the relevant authorities. All the officers of the bank undergo continuous training on AML and must take a test on AML. In addition, specific front-line staff undergo enhanced training to ensure they are up to date with the latest developments in this area.

The bank has an anti-fraud programme in place and has developed a methodology for undertaking a comprehensive fraud risk assessment. The team utilises software to assist in identifying, recording, and reporting fraud incidents. In addition, all employees are provided with bank muscat's fraud handling procedure.

In 2017, bank muscat held a nation-wide campaign with the Public Authority for Consumer Protection to raise awareness on fraud across the Sultanate.

Product Awareness

bank muscat offers its stakeholders a wide array of communication channels to make inquiries on our product and service offerings. Through our website, call centre, social media platforms, and publications, such as this sustainability report, stakeholders can be assured that information is transparent and accurate.



Highlight: Going paperless

bank muscat began digitising its loan approval process and other functions by using Omniflow and Omnidoc in 2017.



Environmental Protection

bank muscat understands and takes responsibility for the environmental impacts of operations. As a people-centric organisation, our main environmental impact comes from building energy consumption, water consumption, paper consumption, transportation, and other material-use and waste disposal. To minimise the environmental impacts of our operational activities, we invest in green building technologies to improve energy and water efficiency and have implemented several waste management programmes.

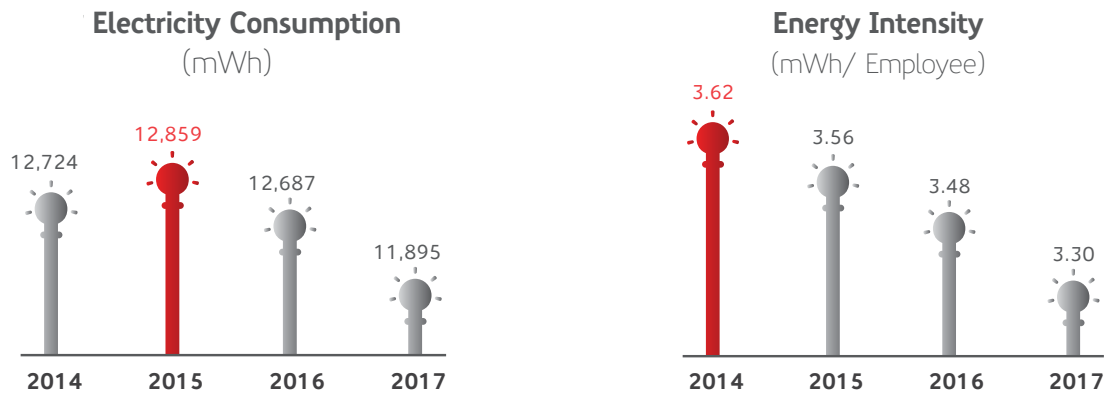
Energy Consumption and GHG Emissions

Our head office was designed using green building techniques and technologies and to inspire environmental stewardship among employees and customers. However, with a workforce of over 3,600 individuals, we consume a significant amount of electricity to maintain our office operations and the well-being of our staff. We also use fuel to power our vehicle fleet for travel among our nationwide branch operations.

In 2017, our head office consumed 11,895 mWh of electricity purchased from the national grid, amounting to estimated indirect, Scope 2, emissions of 10,196 tonnes CO₂ equivalent (CO₂e). The bank muscat's indirect energy intensity was therefore 3.30 mWh per employee, and its indirect GHG emission intensity was 2.83 tonnes CO₂e per employee.

Indirect energy consumption and emissions decreased by 6% in 2017 from 2016 and have decreased by a total of 7% since 2014. Energy consumption was reduced in 2017 as a result of the following energy saving initiatives:

- Parking lights are shut-off from 6pm to 5am
- Lobby lights are shut-off after working hours
- 500 lamps were replaced from certain walls with daylight lamps
- Conventional fluorescent lamps were converted to LED in several areas in the restaurants
- Reduced operating time of water pumps for fountains
- Ambient room temperature setting moved from 16°C to 20°C during the night



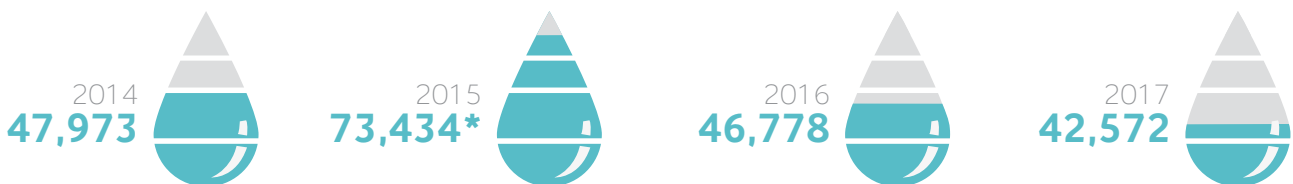
In order to maintain continuity of its operations, bank muscat also relies on diesel generators, which must be tested from time-to-time. In 2017, bank muscat's direct, Scope 1, emission amounted to an estimated 30 tonnes CO₂e, which was higher than the 5 tonnes CO₂e emitted in 2016, as a result of more intensive testing to ensure data centre operations can be maintained for an extended period.

Total emissions for 2016 amounted to an estimated 10,226 tonnes CO₂e produced.

Water Consumption

In 2017, our head office consumed 42,572 m³ of water, resulting in a water intensity of 11.80 m³/employee. From 2016 to 2017, bank muscat reduced its water consumption by 9% and its water intensity by 8%.

Building Water Consumption (m³)



*water consumption was unusually high due to an underground water leak that went undetected

Water Intensity (m³/ Employee)





Highlight: Combining recycling with charitable outcomes

In 2017, bank muscat began donating shredded paper to the Nidaa Charity Group, a humanitarian organisation in Oman, founded 2012 under the umbrella of the Social Development Committee. The charity then sells shredded paper to a recycling company – a win-win situation for bank muscat and local charitable organization. In 2017, over 5,600 m3 of shredded paper were donated.

Case Study: No More Paper Cups

Disposable paper cups are still a common sight in offices around the globe, even as awareness about their environmental consequences grow. Across the supply chain, from the cutting down of trees to produce the paper to landfills, disposable paper cups present several sustainability challenges including deforestation and the loss of animal habitats and biodiversity, carbon emissions, water use, and waste management.

In 2018, bank muscat will take an unprecedented step forward by eliminating the use of disposable paper cups in our head office. All employees will be given a reusable cup instead as part of our Green Campaign.

This dramatic change has big financial and environmental impacts. By eliminating the use of disposable paper cups in our head office, the bank will prevent sending around 380,000 cups to the landfill a year and prevent hundreds of trees from being cut down. Moreover, estimates by Starbucks on CO2 emissions indicate that the bank will not be responsible for an additional 3,800 tonnes of CO2 emission. If that doesn't mean much, visualize around 3,800 9m in diameter balloons!

Case Study: Meethaq Islamic Banking

Solar Powered Branch Pilot Project

Meethaq Islamic Banking is pioneering solar power in the Sultanate's business community with the first private sector initiative to utilise solar power in a commercial building. Following the national government directive, the bank is committed to moving to sustainable energy sources like solar power, and this pilot is a clear demonstration of the bank's ambition to lead the way. Meethaq's Al Khoudh branch was commissioned to utilise a combination of solar and grid supplied electricity and went online in 2017. There is a bright future for solar power in the Sultanate. Considering the country's solar irradiance level, Oman

has an unprecedented opportunity to bring prosperity, energy security, and sustainable development to the nation. According to H.E. Mohammed bin Salim Al Toobi, Minister of Environment and Climate Affairs, solar power and renewable energy will increase to 15 percent of the volume of energy consumed in the Sultanate. While there are small solar projects in operation to power light roads, houses and some eco-tourist facilities, the Meethaq branch is connected to the national electricity grid and represents a scalable model for others to follow.



Key features of the project:

- First commercial building in Oman to use solar power
- Around 46% of the branch's energy consumption will be solar powered
- Solar panels cover about 270 m² of the branch's roof-top
- 166 Mono-Crystalline PV panels are producing an estimated 300 watts of electricity per panel
- Estimated capacity of the panels is about 50kW and about 73,546 kWh/year
- Estimated to reduce CO₂ emission by about 53 tonnes per year

As a leader in Islamic finance, Meethaq takes pride in this accomplishment and considers it a great opportunity for defining benchmarks in energy conservation, especially in the private sector. Islamic finance's role in supporting economic and social development is clear, and Meethaq remains committed to implementing sustainable development initiatives for the Imprints initiative in collaboration with leading Omani companies for the continued prosperity of Oman. Meethaq is planning to roll out solar power to other branches soon.

Meethaq Islamic Banking

Risk Management

Ethical, equitable, social, and sustainable investments are synonymous with Islamic finance. All our investments are screened as per the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Shariah Screening Criteria, which promotes "Socially Responsible Investing (SRI)" by prohibiting investment in the following businesses which are unethical and promote crime and anti-social behaviour: immoral entertainment, alcohol, gambling, weapons, tobacco, and others.

Product Awareness

In an effort to protect customers from making imprudent financial decisions, Meethaq introduced a "Product Fact Sheet," or PFS, for the Meethaq Savings Plan. The PFS is a way Meethaq has sought to address the common problem of customers signing financial documents without going through all of the terms and conditions. The PFS provides an easy to understand summary of the most important terms for the customer to be aware of.

Within Islamic banking, transparency is a central theme. Meethaq regularly uploads important information onto the bank's website. Information that is updated monthly includes product weightings and the profit rates by which they are derived and the profit sharing ratio in Mudarabah. The bank's website also has a section for educating consumers on how Islamic banking works.



Appendices

A. Report Parameters and Materiality

B. Stakeholder Priorities and Engagement

C. GRI Content Index

Appendix A:

Report Parameters and Materiality

Topic Boundaries

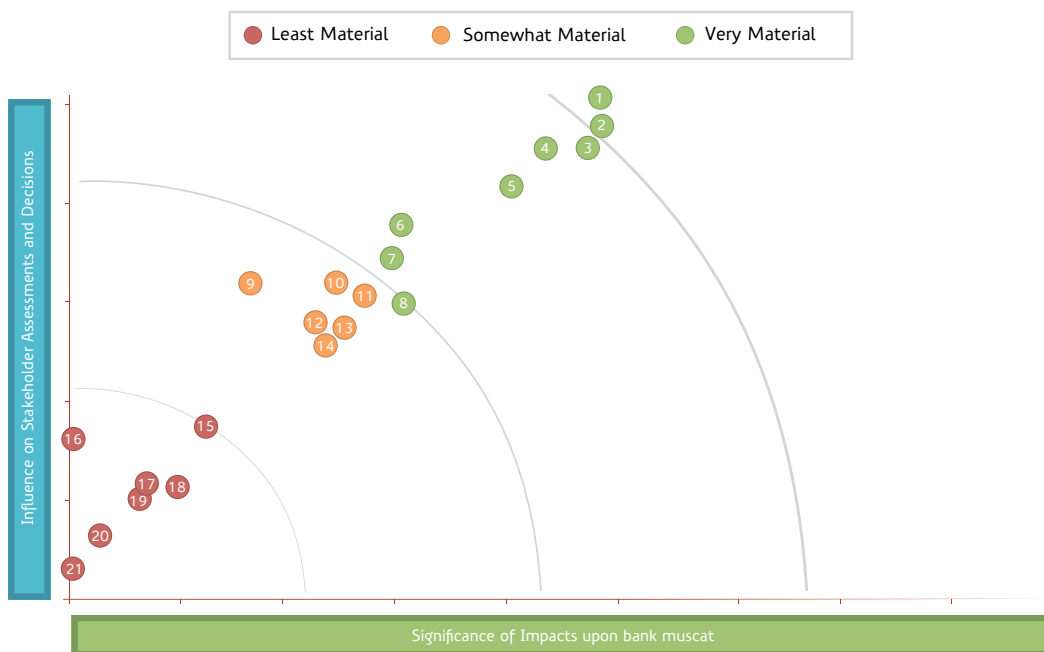
bank muscat has presented relevant information available at the time of production of this report. For the purposes of this report, we present relevant performance for bank muscat's Oman operations only. In the future, we aim to expand the scope of our reporting further to include stakeholders and supply chain. Our relationship with stakeholders continues to evolve and impact the content and reporting boundaries.

Materiality

We regularly communicate with our stakeholders to understand their perspectives and meet their expectations. As we learn how to better capture and engage our stakeholders' priorities, we aim to increase the value that we contribute to Oman.

The materiality analysis below prioritizes the material topics that reflect bank muscat's significant economic, environmental, and social impacts, and substantively influence the assessments and decisions of stakeholders. In line with the materiality process set forth by the GRI Standards, we compiled a comprehensive list of relevant sustainability issues based on a detailed review of national and international sustainable development initiatives and guidelines, as well as internal workshops to identify our main stakeholder groups. We then analysed the potential effects of each issue on stakeholders and prioritised issues accordingly. In total, we have mapped 21 materiality topics. Material topics and our knowledge about them changes over time, which is why we periodically update our materiality analysis. Our materiality analysis was last updated in 2016.

[102-42, 102-46]



Ranking	Material Issue
1	Data security and privacy
2	Governance and accountability
3	Regulatory compliance
4	Risk management and best practices
5	Customer satisfaction
6	Economic performance
7	Employee grievance mechanism
8	Innovation in tailor-made banking products
Ranking	Material Issue
9	Non-discrimination
10	Training and education
11	Business ethics and anti-competitive behaviour
12	Employee satisfaction
13	Ethical marketing and communication
14	Environmental compliance and grievance mechanism
Ranking	Material Issue
15	Environmental performance
16	Indirect economic impact
17	Environment friendly products and process
18	Supplier management and ethical compliance
19	Stakeholder grievance mechanism
20	bank muscat HR policies and ethics
21	Community needs and investments

[102-47]

Appendix (B). Stakeholder Mapping

Stakeholder Group	How we engage with this stakeholder group	Priority Sustainability Concerns	Actions
Employees	<ul style="list-style-type: none"> · Annual performance reviews · Regular dialogue and interaction with employees · Training and education programmes · Grievance mechanism 	<ul style="list-style-type: none"> · Job satisfaction · Fair compensation · Fair and transparent appraisal system · Staff engagement · Providing a stimulating work environment 	<ul style="list-style-type: none"> · A state-of-the-art head office to provide a better work environment · Online HR System · Staff engagement function within HR Department · Learning and development strategy · Internal newsletter, Aloomna, and the bank muscat intranet, iShare, Toastmaster Club, team meetings, and periodic one-to-one meetings · 'Jadara' · CareMore initiative
Customers	<ul style="list-style-type: none"> · Call Centre Feedback Management System (FMS) · Company website · Focus groups · Customer networking events for specific customer segments · Branches and access points including ATMs and CDMs · Media and social media channels · Annual report and sustainability report · Other bank publications, including investor presentations 	<ul style="list-style-type: none"> · Information security · Effective and friendly customer service · Innovative and convenient products and services · Enhanced use of technology and improved access to banking services 	<ul style="list-style-type: none"> · Dedicated customer care unit within Customer Service Department (CSD) · Feedback/complaints monitored and reported to management committee for action · Mystery shopper program · @bankmuscatcare
Government (including Regulatory bodies)	<ul style="list-style-type: none"> · "Government Business" Division · Investment in the national economy · Supporting initiatives of national importance 	<ul style="list-style-type: none"> · Contribution to the national economy · Alignment with Oman's 2020 vision · Regulatory compliance and transparency 	<ul style="list-style-type: none"> · Maintain continuous communication with government bodies through the government business unit · Continuous dialogue with ministries and other government bodies on sustainability, economic, and social development issues · Imprints CSR initiative

Stakeholder Group	How we engage with this stakeholder group	Priority Sustainability Concerns	Actions
Correspondent/ other banks/ international entities	<ul style="list-style-type: none"> · Financial Institutions Group (FIG) · Company website and other publications · Roadshows and presentations 	<ul style="list-style-type: none"> · Normal business transactions · Enhance lines of credit and grow business 	<ul style="list-style-type: none"> · Dedicated department to engage with this stakeholder · Annual Report · Follow a relationship-based approach · ISO 9001:2015
Shareholders/ Investors	<ul style="list-style-type: none"> · Investor Relations Department · Shareholder meetings · Roadshows and presentations · Company website and other publications 	<ul style="list-style-type: none"> · Creating added value services and products for shareholders and investors · Steady net income and asset growth 	<ul style="list-style-type: none"> · Annual General Meeting of the shareholders · Extraordinary meeting of the shareholder (when required) · Board of Directors meetings · Annual Report · Periodic investor meetings and presentations · "Investor Relations" page on company website · Investor roadshows and presentations
Local community / Non-profit and other charitable organisations	<ul style="list-style-type: none"> · The bank's dedicated sponsorship function · The bank's dedicated CSR and Sustainability Department · Open dialogue with non-profits and other entities · Media, social media and other publications 	<ul style="list-style-type: none"> · Responsibility toward all-around development of the society · Work closely with social and voluntary associations and non-government establishments 	<ul style="list-style-type: none"> · CSR programmes e.g. Imprints initiative, Green Sports, Little Investors, etc. · Press releases, social media updates and interviews · Sustainability report
Local, regional & international media	<ul style="list-style-type: none"> · Media, social media and other publications · Press conferences · Media networking events 	<ul style="list-style-type: none"> · Clear and effective communication · Transparency 	<ul style="list-style-type: none"> · Monthly press conferences open to all media outlets at our head office · Daily updates across all our external communication channels · Annual report and sustainability report

[102-40, 102-43, 102-44]

Appendix (C). GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)
GRI 101: Foundation 2016		
General Disclosures		
GRI 102: General Disclosures 2016	Organizational profile	
	102-1 Name of the organization	bank muscat SAOG
	102-2 Activities, brands, products, and services	8, Pg. 82-86 of 2017 Annual Report
	102-3 Location of headquarters	8
	102-4 Location of operations	8
	102-5 Ownership and legal form	8, 10
	102-6 Markets served	8
	102-7 Scale of the organization	10
	102-8 Information on employees and other workers	25-26
	102-9 Supply chain	19, 22-23
	102-10 Significant changes to the organization and its supply chain	19
	102-11 Precautionary Principle or approach	43-44
	102-12 External initiatives	44
	102-13 Membership of associations	44
	Strategy	
	102-14 Statement from senior decision-maker	6-7
	Ethics and integrity	
	102-16 Values, principles, standards, and norms of behavior	7
	Governance	
	102-18 Governance structure	Pg. 80-81 of 2017 Annual Report
	Stakeholder engagement	
	102-40 List of stakeholder groups	54-55
	102-41 Collective bargaining agreements	bank muscat staff are not part of a union
	102-42 Identifying and selecting stakeholders	52
	102-43 Approach to stakeholder engagement	20, 54-55
	102-44 Key topics and concerns raised	54-55
	Reporting practice	
	102-45 Entities included in the consolidated financial statements	Financial statements include the activities of bank muscat and no other entity
	102-46 Defining report content and topic Boundaries	52
	102-47 List of material topics	53
	102-48 Restatements of information	No restatements
	102-49 Changes in reporting	No changes
102-50 Reporting period	January 1, 2017 - December 31, 2017	
102-51 Date of most recent report	2016	
102-52 Reporting cycle	Annual	

GRI Standard	Disclosure	Page number(s) and/or URL(s)
	102-53 Contact point for questions regarding the report	Back cover
	102-54 Claims of reporting in accordance with the GRI Standards	11
	102-55 GRI content index	56-58
	102-56 External assurance	Not assured
GRI Standard	Disclosure	Page number(s) and/or URL(s)
Material Topics		
GRI 200 Economic Standard Series		
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18
	103-2 The management approach and its components	18
	103-3 Evaluation of the management approach	18
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pg. 89 of 2017 Annual Report
Market Presence		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	26
	103-2 The management approach and its components	26
	103-3 Evaluation of the management approach	26
GRI 202: Market Presence 2016	201-1 Direct economic value generated and distributed	Pg. 89 of 2017 Annual Report
	202-2 Proportion of senior management hired from the local community	26
Indirect Economic Impacts		
GRI 103: Management Approach 2017	103-1 Explanation of the material topic and its Boundary	33
	103-2 The management approach and its components	33
	103-3 Evaluation of the management approach	33
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	22-23, 32-41

GRI Standard	Disclosure	Page number(s) and/or URL(s)
Procurement Practices		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23
	103-2 The management approach and its components	23
	103-3 Evaluation of the management approach	23
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	23
GRI 300 Environmental Standards Series		
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	47
	103-2 The management approach and its components	47
	103-3 Evaluation of the management approach	47
GRI 302: Energy 2016	302-1 Energy consumption within the organization	48
	302-3 Energy intensity	48
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	47
	103-2 The management approach and its components	47
	103-3 Evaluation of the management approach	47
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	48
	305-2 Energy indirect (Scope 2) GHG emissions	47
	305-4 GHG emissions intensity	47
GRI 300 Environmental Standards Series		
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	25
	103-2 The management approach and its components	25
	103-3 Evaluation of the management approach	25
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	All bank muscat staff are full-time employees
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	27
	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	27
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	27-30
	404-3 Percentage of employees receiving regular performance and career development reviews	30

GRI Standard	Disclosure	Page number(s) and/or URL(s)
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	25
	103-2 The management approach and its components	25
	103-3 Evaluation of the management approach	25
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	25-26
Customer Privacy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	44
	103-2 The management approach and its components	44
	103-3 Evaluation of the management approach	44
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Zero
Active Ownership		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	44
	103-2 The management approach and its components	44
	103-3 Evaluation of the management approach	44
GRI FS11: Active Ownership	FS11 Percentage of assets subject to positive and negative environmental or social screening	44

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