



بنك مسقط
bank muscat

2015
SUSTAINABILITY
REPORT

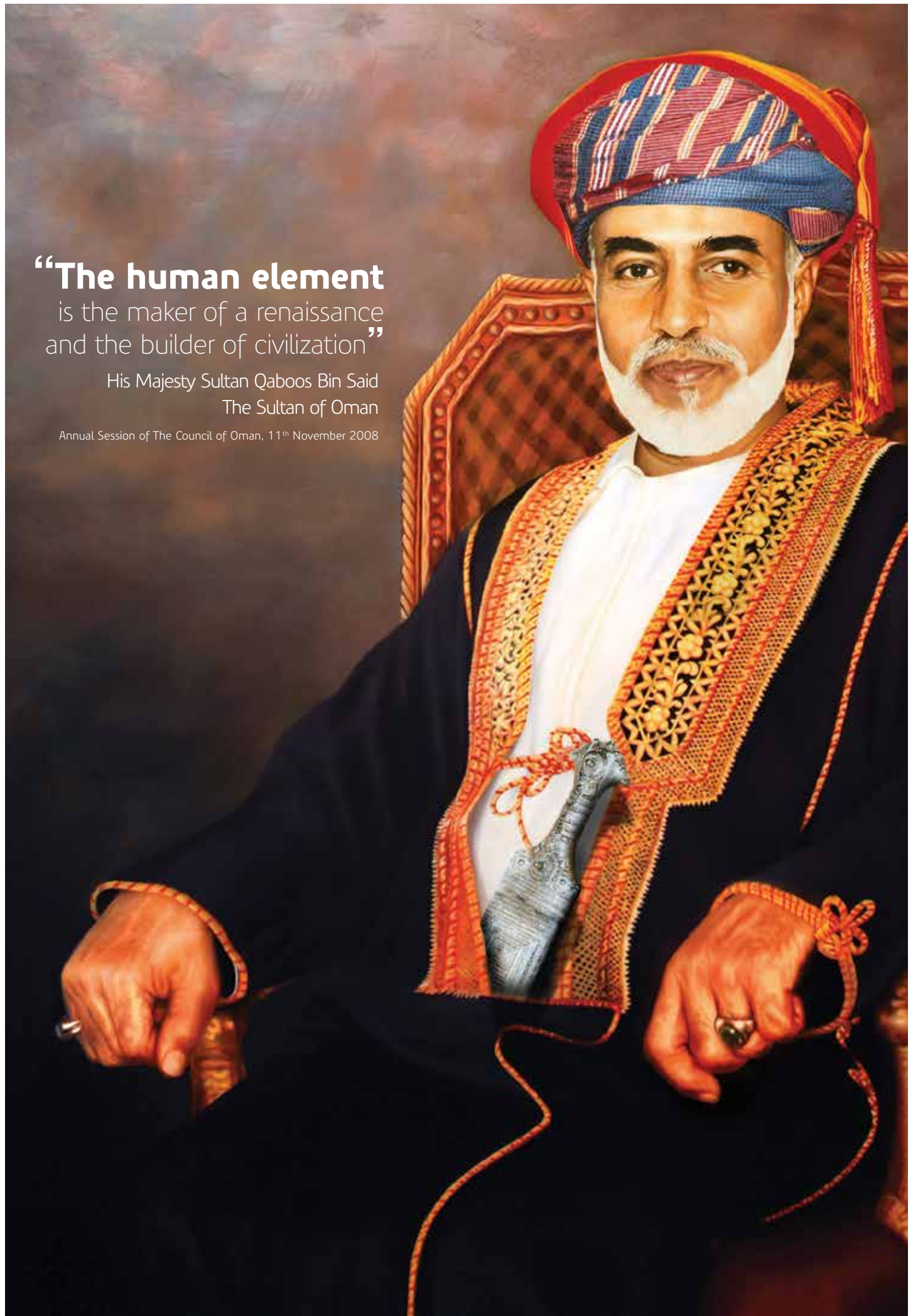
THE MORE
YOU CARE,
THE MORE
YOU DO



“The human element
is the maker of a renaissance
and the builder of civilization”

His Majesty Sultan Qaboos Bin Said
The Sultan of Oman

Annual Session of The Council of Oman, 11th November 2008





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Message from Our Chief Executive



Dear Stakeholders,

bank muscat has maintained its leadership position in the Omani market due to its ability to acclimatize to the changing economic conditions and due to its adoption of innovative and dynamic strategies, of which Sustainability now plays an integral role. I am proud to present you with the 2015 Sustainability report, the bank's demonstration of unwavering commitment to excellence for its customers, stakeholders and employees.

Aimed at ushering in a new era reflecting the readiness to face future challenges, the bank laid the groundwork for a new Organisational Structure, which highlighted the confidence and determination to stretch the boundaries in banking excellence. In order to achieve the bank's growth objectives, the new Organisational Structure has assigned higher emphasis to customer centricity whereby the bank's functions are aligned based on the main customer segments being served. Notably, the new structure incorporates representation of branches in the Management Team to ensure that opinions of customers and employees from different parts of the country are reflected at the highest management levels.

This year we have introduced 'Responsible Banking' as one of the four main chapters of focus, to reflect the bank's extensive efforts to meet its obligations towards its customers. The remaining priority areas include 'Enhancing Economic Performance; Developing from Within and Empowering Communities.

We understand the significance of our role in the context of the partnership assigned to the private sector to drive economic growth and sustainable development. As the market leader, we are confident that as we develop sustainable initiatives, our efforts will positively impact development in Oman.



AbdulRazak Ali Issa
Chief Executive

About this Report



This is our fourth sustainability report, with the integrated theme of doing more: more for the economy; more for the community; and more for the environment. **bank muscat** has a long history of social and community involvement and this report aims to demonstrate how we are incorporating sustainable best practices into the fabric of our corporate structure, processes, and services. The scope of our reporting includes data and activities for the period of 1 January to 31 December 2015, unless otherwise noted.

Our sustainability report has been prepared 'in accordance' with the GRI G4 guidelines option core. GRI's framework consists of an extensive set of sustainability reporting guidelines and indicators.

We have prepared the report using the GRI's reporting principles of stakeholder inclusiveness, materiality, context and completeness. As a result of our stakeholder engagement and materiality assessment, we have selected the following four priority areas for our first sustainability report:

- Enhancing Economic Performance
- Developing from Within
- Empowering Communities
- Responsible Banking

For a detailed explanation of our stakeholder engagement and materiality assessment process, please refer to the 'Reporting Process and Parameters' section in Appendix A of this report.

Reporting Boundaries

bank muscat's core operations are located in Oman. However, the bank also has presence across the Gulf Cooperation Council (GCC) states and the Asian Subcontinent through branches, representative offices, subsidiaries and associates. In this report, we have chosen to report on our core performance area: Oman, rather than at a group level. We plan to improve data collection across our international operations and consider the possibility of reporting on these in the future.



About bank muscat

bank muscat is the leading financial services provider in Oman with a strong presence in Corporate Banking, Retail Banking, Investment Banking, Islamic Banking, Treasury, Private Banking and Asset Management. The bank operates in Oman under various banking licence issued by the Central Bank of Oman. The Bank's Investment Banking activities are licensed by the Capital Market Authority of Oman (CMA). The Bank has the largest network in Oman of more than 150 branches, 650 ATMs and CDMs and 10,000 + PoS terminals. The international operations consist of a branch each in Riyadh (Kingdom of Saudi Arabia) and Kuwait and a Representative Office each in Dubai (UAE) and Singapore. **bank muscat** currently owns 97% stake in Muscat Capital LLC, a brokerage and investment banking entity in Saudi Arabia. As the flagship financial institution in Oman, **bank muscat** has a proven track record of excellence in service and enjoys around 38 percent market share in Oman. As a publicly listed Omani joint stock company, our primary listing is on the Muscat Securities Market (MSM) in addition to a listing on the Bahrain, London and Luxembourg Stock Exchange.

Retail Banking:

The bank offers a complete range of retail and personal banking products and services through our network of branches across Oman. Our objective is to offer excellent value to customers by providing efficient, and reliable services in a personal, helpful and responsive manner.

Corporate Banking:

The bank provides a wide range of corporate finance products ranging from traditional working capital finance to project finance. Our clients include multinational and domestic companies engaged in activities across all sectors of the economy such as contracting, trading, power, petrochemicals, real estate and international trading. The bank also offers SME financing aimed at financing small business and strengthening the SME foundation in Oman.

Islamic Banking (Meethaq):

As the nation's flagship financial services provider, **bank muscat** is well positioned to provide Islamic financial expertise to diverse segments through its Islamic window and thereby promote the good of society as a whole. The bank has taken major strides as part of its proposed Islamic banking operations and assigned RO 150 million capital for Meethaq Islamic Banking.

Investment Banking:

Set up in 1995, our investment banking division has grown to be the partner of choice for corporate investments and individual investors alike. We provide a comprehensive set of financial services including corporate finance product structuring, brokerage and research services.

Asset Management:

The bank enjoys a dominant position in the asset management business in Oman. We offer a wide variety of local and international investment products such as mutual funds, private equity/real estate fund, and alternate investments to suit the risk profile and target returns of our clients. Our clients include pension funds, global funds, high net-worth individuals, corporations and other entities.

Private Banking:

From financial planning and trust services, to banking services, our private banking division offers a range of financial services that are highly exclusive and personalised.

Treasury:

bank muscat is the only bank in the Sultanate that offers a suite of Treasury products and services.

Financial Institutions Group:

The Financial Institutions Group (FIG) is very active in trade finance and financial institution (FI) business covering prominent countries in America, Europe, Asia, Africa and other emerging markets.

As the flagship bank in Oman, the benchmarks in operational excellence scripted by **bank muscat** are driven by our **Vision, Values** and **Strategic Pillars**, which govern our way of working across all spheres. The regal fabric adorning the bank is knit together with the fine threads of working relationships between employees, customers, regulators, business partners, suppliers and the wider community.

The objective of our **Vision, Values** and **Strategic Pillars** is to define the way we think, work and act as an organisation to ensure that we deliver against our commitment of helping people to achieve their goals and aspirations.

- Our Vision: **We Can Do More**
- Our Values: **Leadership, Innovation, Partnership, Accountability, and Integrity**
- Our six Strategic Pillars over the next five years: **Business Growth, Return and Risk; Blue Ocean Strategy; People; Technology; Infrastructure and Channels, and Customer Value.**

Driven by a passion to achieve continuous progress on the **Strategic Pillars**, we are committed to our **Vision** in setting benchmarks for the **Values**, aimed at providing banking excellence to all, thereby partnering in the bank's success journey in leadership.

Number of Branches		
bank muscat	Commercial	131
	Corporate	4
Meethaq	Commercial	17

Number of ATMs and CDMs		
bank muscat	ATM	431
	CDM	156
	ATM/CDM	34
Meethaq	ATM	17
	CDM	14

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Our Vision and Values



Sustainability at bank muscat

At **bank muscat**, we are committed to delivering value to the economy, the environment and society. In achieving this commitment, we are working towards incorporating sustainable best practices into our core business services. We have an established Corporate Social Responsibility (CSR) department and aim to expand its scope and strategy to include sustainability in everything we do. With the leadership and support of the Board and Executive Management, we have developed a sustainability framework designed to pave our path towards successful economic, environmental, and social development.

We have reinforced our commitment to this practice through the following four pillars:

- **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 in order 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.** At the bank, we believe in encouraging our employees to undertake voluntary activities. We have systems in place to promote participation in such initiatives, thereby benefiting 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 towards this development by working closely with local communities and implementing programs to benefit society.



In 2015, we continued to make great strides towards enhancing our financial performance. In our commitment to do more for the economy, we contributed to the following growth areas:

- Staying committed to **responsible banking** by training our employees and maintaining compliance with the CMA laws for our investment banking.
- Accounting for **social and environmental considerations** through our compliance with the Equator Principles and implementation of our social and environmental management system.
- **Valuing our customers' needs.** We continued to improve our quality in customer service by hosting focus group meetings with customers from each region and effectively managing customer concerns through our integrated feedback management system.

- **Sustainability Committee,** bank muscat has ensured the dedication of its employees towards engraining sustainability within the corporate culture by creating and developing a Sustainability Committee. The Committee operates on its own Terms of Reference and includes a number of members of the executive management.
- The bank as part of its internal environmental and social review and due diligence, screens and categorises a project when it is brought forward for financing, based on the environmental and social categorisation process of the **International Finance Corporation (IFC).**

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Our Quality Vision



Our Quality Vision is to achieve and sustain a reputation for quality in the national and international markets by offering products and services that exceed the requirements of our customers. We strive to remain the bank of choice in all our products and services. Towards this policy, our objectives are establishing and maintaining a quality system based on the most recent ISO quality standards. We constantly review our products and services and take feedback from our employees and customers to ensure that there is continual improvement in everything we do. We offer our clients excellent service, innovative products and value-added banking while constantly developing a mutually beneficial relationship. In addition we demonstrate our vision, professionalism, transparency and integrity in the conduct of our business and service. This allows us to achieve discipline, growth and profitability while operating from a sound financial base thus creating value for our shareholders. It should be noted that we constantly encourage, motivate and develop our human resource capital – which we view as our most valuable asset and the cornerstone of the bank. We acknowledge and ensure that we successfully implement our government objectives which have assisted us in maintaining the pre-eminent position as the leading financial institution in the Sultanate of Oman.

AWARDS AND RECOGNITION

Best Bank in Oman Award

bank muscat won '2015 Best Bank in Oman', award by Global Finance in recognition of banking service excellence. Time and again, the performance of the bank has been lauded by the global banking community and this is yet another endorsement from Global Finance reflecting the consistency of performance and the innovative strategies which have cemented the bank's reputation in a challenging market. The Global Finance awards are recognised as one of the most prestigious international banking awards given to institutions that demonstrate leadership, innovation and momentum in the markets in which they operate.

The Best Banking Brand Award

In recognition of distinctive brand-building initiatives, **bank muscat** has been voted the Best Brand in the banking segment in the annual 'Best Brands in Oman' survey conducted by **Business Today**, a leading business magazine. The bank reinforced and took an unassailable lead over its nearest competition scoring 5030 points in the popular choice of brands compared to the runner-up who received only 840 points. In the top management choice, the bank

scored 1070 points compared to 300 points scored by the second place winner. The annual survey conducted by **Business Today** magazine noted that "**bank muscat** remains unchallenged in the banking sector".

Top Brand in Oman

bank muscat has won the Top Brand in Oman award in the banking segment of the 'Top Brands in Oman' ranking by Oman Establishment for Press, Publication and Advertising (OEPPA). The Top Brand recognition is a tribute to the largest banking family in Oman as well as the bank employees who played a key role in establishing **bank muscat** as a community brand.

The Best Performing Company Award

In recognition of its commitment to excellence in corporate leadership, **bank muscat** has been ranked the top performer among large companies listed on Muscat Securities Market in the Best Performing Company awards instituted by Alam Al-Iktisaad Wal Aamal (AIWA) business magazine.

Best Bank in Oman Award

bank muscat has won the 'Best Bank in Oman' award by Euromoney for the 13th time. The leading global financial magazine has time and again endorsed **bank muscat** as the 'Best Bank in Oman'. Euromoney awards are recognised as one of the most prestigious international banking awards given to institutions that demonstrate leadership, innovation and momentum in the markets in which they operate.

Management and Governance



Management and Governance

The bank's Board of Directors is committed to the highest standards of Corporate Governance. We follow the letter and spirit of the Code of Corporate Governance laid out by the Capital Market Authority (CMA) and the regulations for Corporate Governance of Banking and Financial Institutions issued by the Central Bank of Oman (CBO). The CMA Code of Corporate Governance and the CBO circular BM 932, Corporate Governance in Banks, are the principal codes and drivers of Corporate Governance practices in Oman, and we fully comply with all of their provisions.

At the head of the bank, the roles of the Chairman of the Board of Directors (the Board) and Chief Executive Officer (CEO) are separated with a clear division of responsibilities between managing the Board and the executive management responsibility for running **bank muscat's** business. This is clearly outlined in the bank's Board charter. The illustration on the following page shows the organisational link between the two structures.

The bank's Board of Directors' principal responsibilities are as follows:

- Policy formulation, supervision of major initiatives, overseeing policy implementation, ensuring compliance with laws and regulations, nurturing proper and ethical behavior, transparency and integrity in stakeholders' reporting;
- Approval of commercial and financial policies and the budget, so as to achieve its objectives and preserve and enhance the interest of its shareholders and other stakeholders;
- Preparation, review and updating of the plans necessary for the accomplishment of the bank's aims and the performance of its activities, in light of the objectives for which it was incorporated;
- Adoption of the bank's disclosure procedures, and monitoring their application in accordance with the rules and conditions of the CMA;
- Supervision of the performance of the Executive Management, and ensuring that work is properly attended to, so as to achieve the bank's aims, in the light of the objectives for which it was incorporated;
- Appointment of the CEO and the Chief Operating Officer, as well as appointment of the officers answering to either of them pursuant to the organisational structure of the bank.

- Appraisal of the performance of the Executive Management mentioned and appraisal of the work carried out by the committees affiliated to the Board; and,
- Approval of the financial statements pertaining to the bank's business and the results of its activities which are submitted to the Board by the Executive Management every three months, so as to disclose its true financial position and performance.

With our integrated organisational structure and dedicated leadership, we have driven the principles of sustainability from the top down. As such, we have engrained sustainability throughout all levels of our organisation and into the fabric of our work culture. Ultimately, each of our colleagues play a pivotal role in solidifying our commitment to do more, and contribute to one or more of the priority areas addressed in this report.

Remuneration to the Board

The total remuneration and sitting fees paid/accrued to members of the Board of Directors for the year 2015 met the maximum total limit of RO 200,000 as prescribed by the Commercial Companies Law No. (4/1974) as amended by the Royal Decree No. (99/2005).

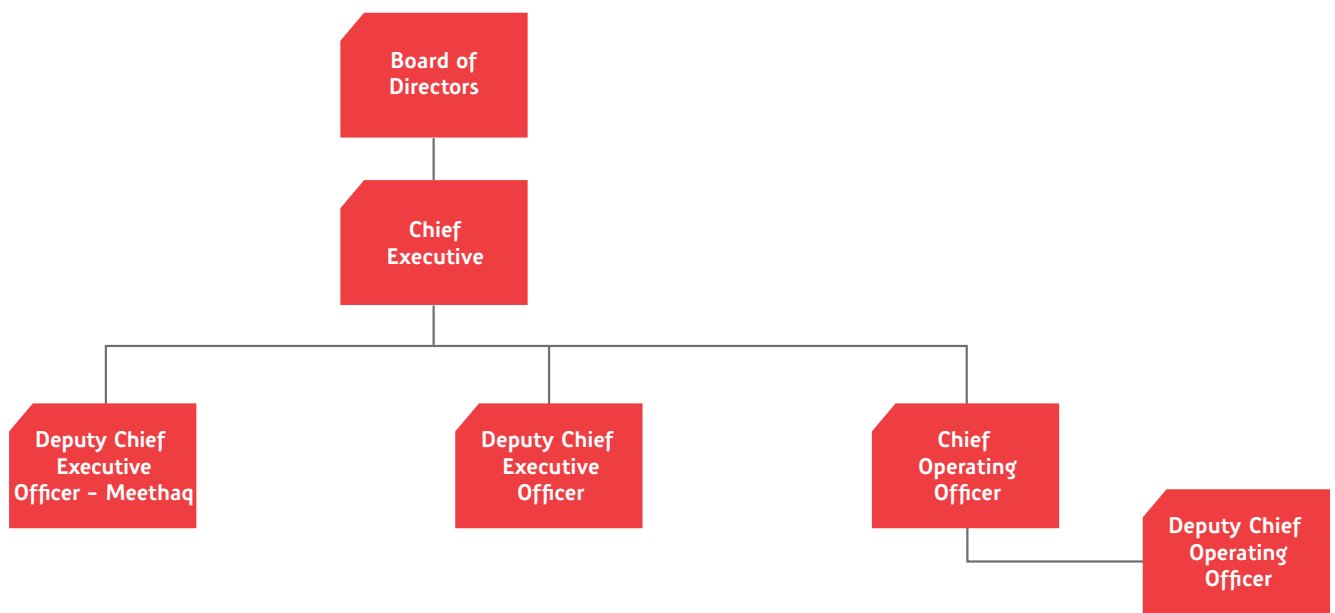
Shareholders

bank muscat gives minority shareholders prime importance in terms of safeguarding their interests and ensuring that their views are reflected in shareholder meetings. The "one share one vote" principle applies to all shareholders so that minority shareholders have the authority to nominate members of the Board and can take action against the Board or the management if the actions of the Board or management are in any way prejudicial to their interests.

Self Evaluation

An independent evaluation of the Board's performance was conducted in 2011 by Ernst & Young to further enhance the already robust Corporate Governance practices and culture at the bank. The bank has subsequently implemented all recommendations by Ernst & Young. In line with its commitment to continuously improve and enhance its Corporate Governance framework, the Bank has selected KPMG to perform the 2015/2016 Board Evaluation exercise.

Organisation Structure*



Our three committees support the Board in carrying out its responsibilities. The three committees are as follows:

1. BOARD RISK COMMITTEE

The Board Risk Committee (BRC) provides recommendations to the Board of Directors on the risk-reward strategy, risk appetite and policies and framework for managing all applicable risks.

2. BOARD AUDIT COMMITTEE

The primary responsibilities and functions of the Audit Committee are to provide assistance to the Board of Directors in fulfilling its responsibilities of monitoring/overseeing the financial reporting process, the adequacy and effectiveness of the systems of internal control, the effectiveness of the audit process and the Bank's process of complying with the relevant laws and regulations.

3. NOMINATION AND COMPENSATION COMMITTEE

The Board, with the Nomination and Compensation Committee reviews the required skills of directors

to ensure they meet the "fit and proper" criteria prescribed by the CMA and the CBO. The committee is responsible for

- Leading the process for Board and Management appointments, through the identification and nomination of relevant candidates for Board approval; and
- Setting the principles, parameters and governance framework of the Bank's Compensation policy

With our integrated organizational structure and dedicated leadership, we have driven the principles of sustainability from the top down. As such, we have engrained sustainability throughout all levels of our organization and into the fabric of our work culture. Ultimately, each of our colleagues play a pivotal role in solidifying our commitment to do more, and contribute to one or more of the priority areas addressed in this report.

*The organization structure was changed as on 1st January 2016. The above structure was valid until 31st December 2015.

Members of the Board



**Sheikh Khalid bin
Mustahail Al Mashani**
Chairman



**Sulaiman bin Mohamed
bin Hamed Al Yahyai**
Deputy Chairman



**Brigadier General Nasser bin
Mohammed Salim Al Harthy**
Director



**Hamoud bin Ibrahim
Soomar Al Zadjali**
Director



K.K. Abdul Razak
Director



**Sheikh Said bin Mohamed
bin Ahmed Al Harthy**
Director



**Sheikh Saud bin Mustahail
Al Mashani**
Director



Farida Khambata
Director



**Khalid bin Nasser bin Humaid
Al Shamsi**
Director

Enhancing Economic Performance



INTRODUCTION

In line with its dynamic '**Let's Do More**' vision, **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. As a forward looking financial institution, **bank muscat** is committed to the development and progress of Oman vis-à-vis its operations.

1. IMPROVING SERVICES THROUGH TECHNOLOGY:

Enhanced digital Banking Features

In a bid to provide customers with easier and more accessible tools to complete all their banking needs, the bank launched its online banking website and mobile application with enhanced features. Customers are now able to complete most of their financial requirements at the click of a button.

Economic Value Generated and Distributed

	2011	2012	2013	2014	2015
Revenues(before recovery & charges)	294,244	323,652	340,156	383,110	407,736
Operating costs in cluding Employee wages & benefits	109,734	123,401	132,687	146,686	159,871
Employees Wages and Benefits	65,889	74,262	78,199	85,982	93,979
Payments to providers of capital	38,709	50,963	53,807	54,567	57,290
Payments to government					
Community investment: Voluntary contributions and investment of funds in the broader community (includes donations)	1,146	1,501	1,575	1,433	1,078
Gross taxes	18,663	17,549	22,701	23,043	22,067
Depletion, Depreciation & Amortization	11,156	11,207	10,997	11,204	11,185
Economic value retained (calculated as Economic value generated less Economic value distributed)					

Secure e-payment Gateway

The bank, as part of its commitment to complement the government's efforts to promote a secure and convenient electronic payment infrastructure in the Sultanate, signed an agreement with the Information Technology Authority (ITA) to introduce a new internet payment gateway for government and semi government entities. ITA is mandated by the government to promote electronic payment solutions to government institutions.

The Sultanate's e-Government programme is aimed at bridging the digital divide and enabling citizens to communicate seamlessly with the government.

Conference on Cyber Security

The bank, in association with a leading international insurance company, organised a conference on cyber security, aimed at enhancing co-operation between the government and the private sector in matters relating to preventing cyber crimes, identifying the best global practices in work environment, and benefiting from the expertise of relevant bodies. Cyber crime experts, including Lord Jonathan Evans, former Head of the British Security Service, addressed the conference.

The conference called for a holistic cyber security plan to include information sharing, threat identification, protection of assets and an effective cybercrime response plan for business recovery and resumption, including a risk transfer plan of cyber security insurance. The conference noted that cyber security issues must be tackled on a strategic level as 62 per cent of major cyber attacks are on sectors such as banking, telecom and IT.

Oman's First Electronic Bank Branch

The bank launched Oman's first electronic branch in the banking sector at Oman Avenues Mall, elevating the banking experience to new levels of convenience. The exclusive facilities include self-service zones for both retail and corporate customers to execute day-to-day banking transactions. The eBranch, which is open from 9 am to 10 pm, allows customers to visit the branch at their convenience and complete their banking requirements at their own pace.

The eBranch widens the bank's reach, especially to the country's youth with a host of services which spell convenience. The eBranch complements the government's efforts in creating a digital society, reiterating the bank's commitment to providing electronic services. The eBranch serves as an extension of the virtual banking facilities that are becoming increasingly popular among tech-savvy Omani youth.

Workshop on the Dynamics of Investment Portfolios

The bank organised a workshop with renowned investment expert Colin Morrison to provide insight into the dynamics of investment portfolios. Key Omani pension fund representatives and leading corporate and business houses attended.

Turning the spotlight on prevailing challenges and opportunities in growing investment portfolios, the workshop provided insight into risk and performance analysis, in order to help companies adopt successful strategies to grow their investment portfolios.

2. RISK MANAGEMENT AND EQUATOR PRINCIPLES

The bank recognises that an effective risk management process is central to the objective of enhancing overall business value. As such, risk management is considered as an area of core competence. The bank is focused on building risk management capabilities to ensure that we deliver on growth plans while managing the underlying risks in an effective manner. The approach to risk management is communicated throughout the organization and supported by explicit ownership of risks and a clear allocation of responsibilities. The management of risk is guided by a number of committees in the bank, including the Board and other management committees.

The bank has invested significantly in risk management systems and developed a range of tools for this purpose in line with the banking best practices. We have an internal credit rating for assessing the credit quality of loans and advances that has been streamlined over the years based on continuous back testing. Tools are also in place to measure market and liquidity risks for current and simulated changes. Other tracking mechanisms include Key Risk Indicator Report, Controlled Risk Self-Assessment, and Operational Loss Report to manage operational risks. We periodically conduct business impact analyses to assess the impact of adverse events (for e.g. flooding, cyclones, and other extreme weather events) on our ability to continue business as usual. As a result of these analyses, appropriate business and IT disaster recovery centers have been established to ensure the continuity of services for customers during extreme situations.

Equator Principles

Since 2007, the bank has been one of the 81 signatories to the Equator Principles. The Equator Principles were adopted to ensure that the projects we finance and advise on are developed in a manner that is socially responsible and reflects sound environmental management practice. We recognise the importance of climate change, biodiversity and human rights and believe negative impacts on project-affected ecosystems, communities and the climate should be avoided. We believe that the

adoption and adherence to the Equator Principles offers significant benefit to our clients, stakeholders and us.

The Equator Principles were launched in 2003 and 4th June 2013 – the 10th Anniversary of the Principles – the new version EPIII was issued. The bank applies the Equator Principles to project finance:

- On a bilateral basis where the total project capital cost is US\$10 million or more
- Project finance advisory services where total project capital cost is US\$10 million or more
- Participation in project related corporate loans on a club or syndicated basis where all four of the following criteria are met:
 - i. The majority of the loan is related to a single project over which the client has effective control
 - ii. The total aggregate loan amount is US\$100 million and above
 - iii. The bank's commitment before syndication or sell down is US\$50 million and above
 - iv. The loan tenor is two years and above.
- Bridge loans with a tenor of less than two years that are due to be refinanced by project finance or project related corporate loan that is anticipated to meet the relevant criteria described above.

When a project is proposed for financing, screens and categorises it based on the environmental and social categorisation process of the International Finance Corporation (IFC). As part of its internal environment and social review and due diligence.

The categories are:

Category A: Projects with significant adverse environmental and social risks and/ or impacts that are diverse, irreversible or unprecedented.

Category B: Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

Category C: Projects with minimal or no adverse environmental and social risks and/or impacts.

For all projects, the client will commit to covenants in the financing documentation to adhere to all relevant host country environmental and social laws, regulations and permits in all material aspect.

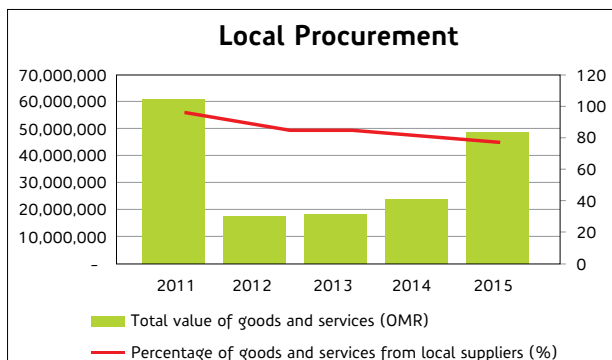
The summary of project finance extended during 2013 falling under the above criteria is given below by category and region:

Category	Oman	GCC Excl Oman	Asia
A	---	---	---
B	2	---	---
C	---	---	---
Total	2	---	---

In addition to our procedure to comply with the Equator Principles, we have also defined social and environmental management procedures for providing loans to customers. Our Social and Environmental Management System (SEMS) policy requires all potential loans, advances and investments are screened for compliance with social and environmental requirements prior to approving financing. We ensure effective social and environmental management practices in our activities, products and services with a special focus on the following:

- Ensuring that all activities undertaken by the bank are consistent with the Applicable Requirements.
- Ensuring that all projects are reviewed against the Applicable Requirements.
- Financing projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the Applicable Requirements.
- Making best efforts to ensure that all projects are operated in compliance with the Applicable Requirements on an ongoing basis, during the lifetime of the bank's financing.
- Ensuring transparency in its activities.
- Ensuring that the management and shareholders of client companies understand the policy commitments made by the bank in this area.

Officers involved in lending activity have undergone 'Sustainability Training' and e-learning Programme (STEP) developed by IFC for training on sustainability related risks associated with projects.



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Sustainable Procurement

First class products and services can only be provided if we can fully rely on our supply chain. For this reason, we are working to build a sustainable supply chain by engaging with local suppliers. Our procurement policy clearly states that whenever possible, local suppliers should be considered as a first choice. Options outside the local market are explored only when a local supplier cannot provide the product or service needed. In 2015, 80% of all our goods and supplies were sourced from local suppliers, which we selected based on the following criteria: competitive price, product quality, timely supply, and post delivery maintenance.

G4 – EC9

3. PRODUCT AND SERVICES INNOVATION

Al Jawhar

bank muscat launched the Al Jawhar Privilege Banking Services specifically tailored for all high income customers with specific banking needs. The products provides exclusive recognition of these customers with a uniquely branded AL Jawhar Visa Platinum debit Card, and AL Jawhar Visa Platinum Credit Card, each offering their own premium benefits and services.

Najahi

Facilitating financial inclusion, **bank muscat's** najahi products and services are today making a vital

difference in the good performance of micro and small businesses in Oman. Creating a positive impact on the community and the nation, najahi helps overcome hurdles and chart successful ventures with proper planning, financial discipline and prudent management.

Maintaining cash flow is a challenge faced by small businesses. Addressing this critical need, **bank muscat** launched the first-of-its-kind najahi Flexi Loan facility. This facility gives the customer the power to choose when to use the loan and for what period. Customers pay interest only when they actually use the loan and not when the facility is granted.

For very short term financing, the bank launched najahi point of sale (PoS) receivables financing. The specially designed short-term finance solution facilitates the working capital requirements of small businesses and helps maintain cash flow.

The key features of najahi PoS receivables financing include short tenor (ranging from one to six months) with daily installment repayments. The evergreen facility allows najahi customers to keep repaying and replenishing the loan, thereby ensuring assured cash flow. As with other najahi credit facilities, customers are not required to provide any collateral guarantee for PoS receivables financing.

Customer Targeted Facilities

As part of the efforts aimed at enhancing customer experience, and in line with the bank's vision "We Can Do More", the bank's Mobile ATM, Banki, has been equipped with systems to process loans and other enquiries on the spot.

This unique facility, will be placed at leading car dealers' showrooms, where customers can receive a loan on the spot.

Customer Privacy

The bank is in compliance with Article 72 of the banking law relating to customer confidentiality. We do not as a policy disclose customer information to third parties without customer prior consent or Central Bank of Oman (CBO) approval.

G4-PR8

New Service Centres

Facilitating inclusive banking for all segments of society, the bank opened three new service centers in Maabelah, Ghala and Ruwi, offering a wide range of services tailored to meet the requirement of low-income expatriates. The services offered to this segment include Account opening, Cards – issuance and delivery, Mobile banking registration and activation and other transactional support. The facilitation of banking services to this segment of customers would lead to improved services, quality customer service and reduction of cash transactions, which would be efficiently channelised through the bank's large network of ATM/CDM and Mobile banking.

4. MEETHAQ ISLAMIC BANKING

Meethaq Islamic Banking is the Islamic window of **bank muscat**.

Meethaq Forum on SME Development in Oil and Gas Sector

Meethaq Islamic Banking hosted a forum spotlighting new opportunities and challenges for SME development in the oil and gas sector in Oman. The forum assumed importance against the backdrop of the recessionary pressures faced by Oman in the wake of the decline in oil prices, seeking to utilise the opportunity to drive a change in favour of SMEs, which could serve as the engine of growth to create sustainable employment opportunities for the country's youth.

Simplification of processes to help SMEs establish successful ventures was highlighted as an area that needed to be streamlined in the country. Meethaq remains committed to working hand-in-hand with the government and partners to create a favourable environment for SMEs in Oman, especially in the oil and gas sector, which serves as the lifeline of the socio-economic development of Oman. The forum reiterated Meethaq's commitment to fostering national talent and providing support for SMEs that create meaningful employment opportunities.

Meethaq Signs Finance Agreement with OSC

Meethaq Islamic Banking and Oman Shipping Company (OSC), the Sultanate's state-owned shipping conglomerate, signed agreements to successfully conclude long-term financing facilities of RO 78 million to refinance existing Very Large Crude Carriers (VLCCs) – Marbat, Manah and Mazyonah – that are operated and owned by OSC. Successful closure of the business deal indicated the availability of Shari'a compliant financing facilities in Oman reducing the need to depend on external financing for major projects which contribute significantly to the Sultanate's economic growth. The financing agreement underscored Meethaq focus on playing a prominent role in complementing projects that are of national importance.

Meethaq Highlights Islamic Finance in Economic Development

Meethaq Islamic Banking launched Shua'a initiative aimed at highlighting the role of Islamic finance in the economic development of Oman. The objective of Shua'a is envisaged to be achieved through a series of seminars, workshops and events. The programmes will see the involvement of national cadres, especially scholars, researchers and entrepreneurs, to identify areas in which Islamic economics can benefit the country and the people. Notably all Shua'a programmes will have the participation of Shari'a Supervisory Board members, who are making vital contributions to the success of Islamic banking and finance through Meethaq.

Islamic Core Banking System Upgrade

As part of its continuous endeavor to provide world class services through the latest technology and innovation, Meethaq has upgraded its core banking system, resulting in a host of cutting edge and first-of-its-kind Islamic banking services covering ATM/CDM, debit card and mobile banking for Meethaq customers. Meethaq now functions with the new iMal core banking system.

Meethaq Launches Hafawa Priority Banking Services

Redefining exclusive and relationship based Islamic banking experience, Meethaq has launched Hafawa Priority Banking service for high saving Meethaq customers. Built on the strong foundations of Meethaq Islamic Banking, Hafawa characterises the Islamic values and principles espoused by the flagship Islamic banking services provider in the Sultanate.

Meethaq launches dedicated Call Center

As part of efforts to enhance services, Meethaq Islamic Banking recently launched their dedicated Call Centre. In the first stage, dedicated support and service will be available for all Meethaq products and services.

Meethaq Launches Shua'a Initiative

Coinciding with the 45th National Day celebrations, Meethaq launched today a new initiative aimed at highlighting the role of Islamic finance in the economic development of Oman. The initiative to be held under the banner of "**Shua'a Meethaq**" will see the involvement of national cadres, especially scholars, researchers and entrepreneurs, to identify areas in which Islamic economics can benefit the country and the people. The objective of Shua'a is envisaged to be achieved through a series of seminars, workshops and events to highlight the role of Islamic banking complementing the Sultanate's economic development

5. AWARDS AND RECONGNITIONS:

Standard Chartered Award for Fund Transfer

bank muscat won a prestigious award from Standard Chartered Bank in recognition of operational excellence in the field of dollar payments processing. The bank received the annual excellence award for straight-through-processing (STP) in dollar denominated fund transfer and commercial payments. The bank's Central Operations electronic payments department, Treasury back office and Global Trade Services department are handling fund transfer operations while the technical and security issues are handled by the Systems and Procedures department. The

Financial Institutions Group, recognised as one of the leading FI teams in the region, has established more than 500 correspondent banking relationships across the world.

Lipper Fund 2015 Award for Best MENA Fund

bank muscat Oryx Fund, the biggest fund manager in Oman as well as a leading player in the region, has won the prestigious Lipper Fund 2015 award for Best MENA Fund. Lipper Fund Awards, the ultimate recognition for the global fund industry, highlight funds that excel in delivering consistent, strong risk-adjusted performance. The awards showcase fund managers' investment expertise and recognise funds with outstanding track records. Lipper, a wholly-owned subsidiary of Reuters, is the world's leading fund research and analysis organisation.

Wells Fargo Award for Fund Transfer

bank muscat won an award from Wells Fargo bank for outstanding performance in dollar denominated fund transfer and commercial payments. The bank has established more than 500 correspondent banking relationships across the world.

Best Investment Bank in Oman

bank muscat won the 'Best Investment Bank in Oman' 2015 award by Global Finance Magazine. Global Finance editors, with input from industry experts, used a series of criteria, including market share, number and size of deals, service and advice, structuring capabilities, innovation, pricing, after-market performance of underwritings and market reputation to select the best investment bank winners across the world.

Citibank Award for Fund Transfer

bank muscat won a prestigious award from Citibank in recognition of operational excellence in the field of dollar payments processing. **bank muscat** won the straight-through-processing (STP) award by Citibank for outstanding performance in dollar denominated fund transfer and commercial payments.

Asian Banker Award Best Bank in Middle East and Africa for Liquidity

bank muscat won the Best Bank in Middle East and Africa for Liquidity Risk Management award by the Asian Banker. The Asian Banker Risk Management Awards is a programme designed to identify emerging best practices and outstanding achievements of the best-run risk management teams in financial institutions. The awards are benchmarked globally by tracking developments around the world.

Best Performing Listed Company Award

bank muscat won the OER Top 20 Award for the best performing listed company in Oman. The award winning Top 20 companies with uncompromising passion for excellence were spotlighted as the standard bearers of corporate Oman, making substantial contributions to the Sultanate's economy. The OER Top 20 award was based on the bank's number one position by revenue in 2014. With the revenue touching RO 485 million, **bank muscat** recorded a 10.34 per cent growth in revenue in 2014 compared to the previous year.

Euro STP Excellence Award

bank muscat won a prestigious award from Deutsche Bank in recognition of operational excellence in the field of euro payments processing. The award recognised the bank's exceptional quality of SWIFT messages on euro payment, maintaining an outstanding error-free rate for remittances. The award was based on evaluation of the quality and accuracy of SWIFT payment messages routed through Deutsche Bank. The bank's Central Operations electronic payments department, Treasury back office and Global Trade Services department are handling fund transfer operations while the technical and security issues are handled by the Systems and Procedures department.

Oman Asset Manager of the Year Award

In recognition of consistency in performance and strategic investment decisions in the midst of challenging market conditions, **bank muscat** Asset Management has won the "2015 Oman Asset

Manager of the Year" award, by Global Investor Magazine, for the second time running. The award reaffirms the proven ability of the bank in challenging situations.

J P Morgan Award for Fund Transfer

bank muscat has won a prestigious award from J P Morgan Bank in recognition of operational excellence in the field of dollar payments processing. The J P Morgan Elite award endorsed the bank's outstanding performance in straight-through-processing (STP) in dollar denominated fund transfer and commercial payments.

Developing from Within

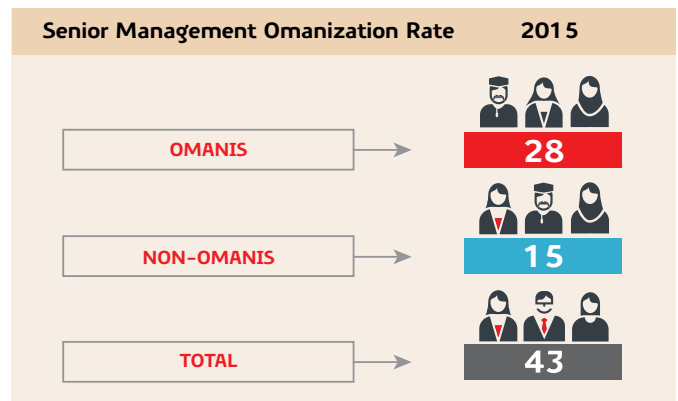
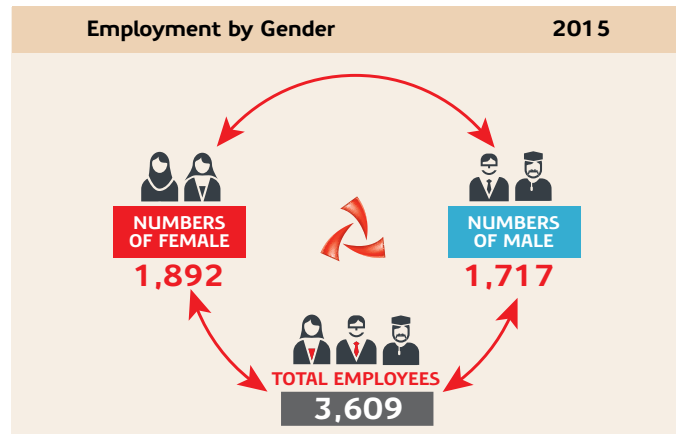
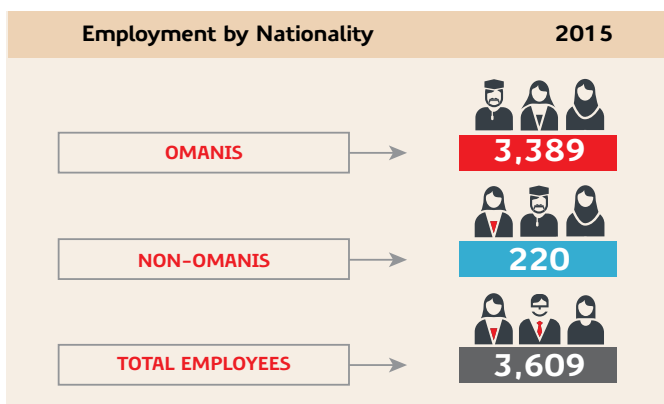


INTRODUCTION

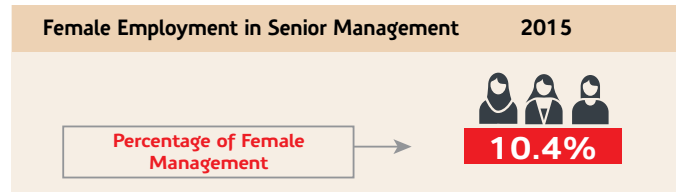
Built on the solid foundation of its accomplished people, **bank muscat** has achieved steady and significant growth to emerge as the leading financial institution in Oman. The bank enjoys the reputation of molding the finest Omani talent and has adopted innovative strategies to equip them with the right skills for leadership positions. **bank muscat** prides itself on achieving more than 94 per cent Omanisation and plans to increase this percentage by attracting more Omani candidates for various positions within the organization. The bank's women empowerment strategy has also proved successful as they represent 52 per cent of the bank's workforce, many of whom hold positions in management.

1. TALENT MANAGEMENT AND SUCCESSION PLANNING

Committed to providing the best career development opportunities, the bank's Talent Management and Succession Planning programme facilitates relevant educational and training opportunities. Enhancing the programme in alignment with international best practices, the bank launched 'Jadara' to develop the managerial and leadership skills of employees to encourage personal and professional development. The programme also focuses on providing employees with the expertise to effectively lead and manage their teams through problem solving, relationship building and meeting targets.



G4 – EC6



G4 – LA12

2. TRAINING AND DEVELOPMENT

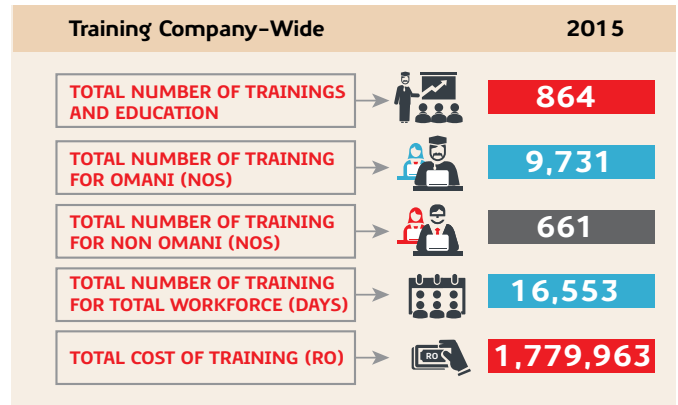
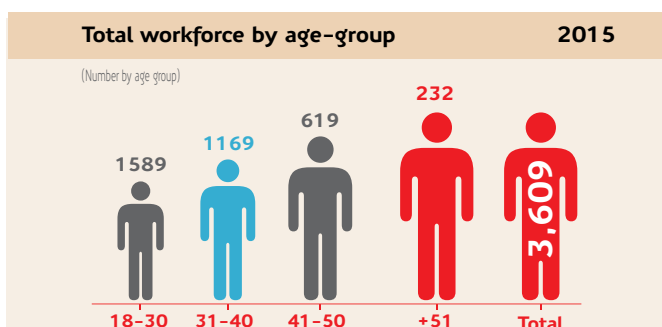
In execution of the directives of His Majesty Sultan Qaboos bin Said to accord priority to the development of human resources, **bank muscat** continues to offer customised training programmes and courses aimed at providing employees with opportunities for career advancement.

In 2015 the Learning and Development Centre was instrumental in providing employees with 864 training and learning opportunities, that took 16,553 days for employees to complete. Internal resources, industry experts and professionals are consistently invited for the benefit of employees.

Tremendous achievements were recorded in establishing e-learning facilities and spreading its culture in the bank as 5,750 e-Learning opportunities were provided during 2015. The e-Learning programmes included compliance related areas such as anti-money laundering, information security, customer relationships, retail banking products, mutual funds and bancassurance.

bank muscat remains the leading financial institution in the country due to its unwavering commitment to quality and development. This was most apparent when four senior members of the management team enrolled and complete the General Management Programme (GMP) at Harvard Business School, in the United States of America. Currently, 38 **bank muscat** employees have completed the programme.

In addition over 100 middle management executives participated in the Leadership and Management Development programmes launched in collaboration with Harvard Business Publishing. These programmes have been identified as one of the best MDP programs by the Association for Talent Development (ATD) and Brandon Hall, USA. The bank provided overseas scholarships for postgraduate studies at Top 100 ranked business schools to 50 employees, 29 of whom have graduated.



Performance management system upgrade

Reiterating commitment to best practices, the bank upgraded the employee performance appraisal system. The new system has further enhanced the involvement of employees in the annual appraisal with each rating scale describing a particular level of achievement. The evaluation of cultural competencies has been linked to the bank's corporate values and their application in the performance of employees.

3. EMPLOYEE ENGAGEMENT

Toastmasters Club

As part of the bank's ongoing Employee Engagement programme, various cultural, literary and sports activities were organised, including public speaking sessions by the Toastmasters Club. In a special session, the Toastmasters Club hosted Daniel Rex, CEO, and Sally Newell Cohen, COO of the International Toastmasters Club. The monthly sessions help members improve their public speaking and leadership skills. With improved communication skills, the employees gain self-confidence to become better influencers.

Emergency Preparedness of Employees

The bank, as part of its Business Continuity Planning (BCP) and Health, Safety and Environment (HSE) exercise, conducted a fire evacuation drill at the head office involving over 1,400 bank and retail outlet employees. The evacuation from the building was carried out in less than five minutes. Significant coordination and preparations were in place to ensure that the exercise was a success. The bank conducts fire drills at regular intervals to test fire evacuation preparedness as part of its commitment to the safety of customers, employees and suppliers.

The BCP looks at ways and means to ensure the bank to deal with a variety of eventualities that may come its way, providing the right set of tools and response mechanisms, and also identifying key procedures to protect the organisation during a crisis, reduce downtime and provide minimal disruptions in the normal delivery of products and services. The BCP process involves continuous review and upgrading to keep pace with the dynamic and ever changing business environment that the bank operates in.

Aloomna Newsletter

The bank's internal newsletter Aloomna serves as an effective channel of communication with employees, highlighting all the important developments in the bank. Marking the 45th year of Oman's Renaissance, Aloomna launched two competitions for employees. The 'Oman Celebrates' quiz focused on the Sultanate's history and achievements and 45 winners received prizes. The competition on the bank's corporate values that aimed to further instilling the ethos of values was also well received.

Ibdaa Initiative

In light of the increasingly competitive environment, the bank's Ibda'a initiative for employees continued to innovate and grow revenue and improve products, services and overall customer experience while also being innovative in managing costs and running efficient operations.

The employees actively participated in the Ibda'a quarterly contest by putting on their thinking caps to come up with innovative ideas that will usher in a new world of banking in Oman. The innovation ideas were shortlisted and ranked principally based on (1) uniqueness of the idea, (2) expected benefit to the bank and (3) ease and cost of implementation. The campaign was open for all employees to come up with ideas to solve issues and improve services.

Staff Deposit Scheme - Al Ghad

Aimed at encouraging employees and their family members to save for the future, the monthly draws of Staff Deposit Scheme and Employee Al Ghad plan rewarded numerous winners with attractive cash prizes. A large number of employees signed up for the scheme to maintain their savings momentum.

Free Health Check-up Day

The bank as part of its commitment to promoting a healthy lifestyle organised a free blood pressure and sugar level examination for employees.

4. AWARDS AND RECOGNITIONS

GCC Best Employer Brand Award

In recognition of a distinct identity visible through innovative HR strategies, the bank won the GCC Best Employer Brand award by the Employer Branding Institute, CMO Asia. Over the past 33 years, **bank muscat** has supported the ambitious career growth of Omani employees, enabling them to adopt an entrepreneurial approach in running the business, thereby creating a culture which encourages creativity/innovation, faster decision-making and better utilisation of resources.

HR award for learning and development initiatives

bank muscat, won a prestigious award in recognition of vital contributions to human capital development in Oman. The 'Best in Training & Organization Development' award hosted by the Employer Branding Institute, CMO Asia, endorsed the role in molding the finest Omani talents at **bank muscat**.

Empowering Communities



INTRODUCTION

As part of its unceasing commitment towards sustainable development, the bank works closely with local communities to improve living standards for generations to come. The established CSR programmes focus on different segments of society in which an impact can be seen and felt increasingly through the years. Through careful research and planning, four key areas were chosen including education, sports, SME advisory and particularly support to families from low-income and social welfare backgrounds. The bank also works tirelessly towards implementing a culture of volunteerism within the organisation, encouraging staff to contribute time and effort for the welfare of the community.

Jesr Al Mustaqbal

'Jesr al Mustaqbal' (Bridge to Future) is a commitment by the bank to provide Omani youth with opportunities to build a strong foundation for a better future. In partnership with the Ministry of Higher Education, **bank muscat** provided 20 scholarships to students across the Sultanate to complete their bachelor's degrees. The programme has played a part in developing over 179 students ranging from basic vocational training to undergraduate degrees.

bank muscat launched 'Jesr al Mustaqbal' in 2012 in execution of the directive of His Majesty Sultan Qaboos Bin Said to provide relevant educational and training opportunities for Omani youth to develop employable skills. The program focuses on students from families on

social welfare or from low-income backgrounds, providing them with the tools for a better life for themselves and their families.

Tadhamun

Tadhamun, one of the bank's core CSR programs, which entails distributing basic home appliances to families on social welfare or who are in the low-income segment of society. The initiative launched by the bank in association with the Ministry of Social Development has to date benefited over 300 families, across the Sultanate. Bank employees volunteered in the distribution of air-conditioners, refrigerators, deep freezers and cooking range, establishing long-standing relationships with beneficiary families.

The Tadamun programme underscores the bank's commitment to complement the government's efforts in social responsibility and thereby strengthen Omani society. The bank seizes every available opportunity to channel resources for creating sustainable, positive changes in communities by investing in their welfare to equip them for a better quality of life.

Green Sports

Since its launch in 2012, Green Sports has gained momentum with 49 teams benefiting from the program and 15 more to be added annually. During the 2015 registration period, the bank saw an influx in submissions reaching over 75 teams, proving the positive effects of the program in structuring and organising a previously disarrayed process. The bank now boasts 19 inaugurated fields across Oman located in areas such as Quriyat, Mudhaibi, Bidbid and beyond.

The success of the programme led to the evaluation of other requirements for the teams such as artificial grass in areas with low water supplies, or desalination machines in regions with high salinity levels. Teams have also expressed their need for floodlights at football fields during the evening, for community activities such as Qura'an reading for children during Ramadhan, plays and shows during national celebrations and group weddings. The fields also function as a community centre in where they continue to enrich and strengthen their local community.

Supporting SMEs

Al Wathbah Academy was launched in an effort to promote the activities of SME's across the Sultanate, with the first steps beginning in Muscat. A customized programme lasting eight months is created to meet the needs of local SME's including in administration, human resources and finance management. Due to the success of the programme, custom-made courses

have been created and implemented in Al Batinah and Dhofar regions, encompassing 30 students in total. The objective of al Wathbah Academy is to impart the required skills and guidance for entrepreneurs drawn from diverse fields to embark on successful SME business ventures. The graduation of the first batch of 15 students, from Al Wathbah Academy was also held this year. The unique program complements government efforts in strengthening the role of SMEs in the economic development of Oman.

In line with its efforts, the bank also launched a dedicated online information channel for entrepreneurs as part of its commitment to sustainable development and diversification in SME advisory. al Wathbah SME TV is the first educational video channel in the banking sector in Oman launched with the sole objective of helping SMEs gain 24/7 access to vital information that can help drive their business further.

The primary objective of al Wathbah SME TV, accessible on **bank muscat** website, is to provide a common platform to educate and update SMEs on the latest rules, regulations, challenges and opportunities for SME business ventures. The SME channel is updated on a regular basis to highlight current and relevant topics.

The bank regularly conducts workshops and seminars to equip SMEs to identify business opportunities and tackle challenges. The bank also has a series of initiatives, that places value in promoting women entrepreneurs. The support to SMEs and women empowerment initiatives stem from the bank's commitment to create self-employment opportunities for youth who constitute more than 50 per cent of the country's population.

The bank, in association with the Information Technology Authority's Sas Program, hosted an exhibition featuring their incubatees, specialized in the field of Information Communication Technology (ICT). The 'Omani Start-ups

& Technology' exhibition aimed to provide the start-ups with a platform to showcase their work and services to a group of industry experts, thereby presenting them with an opportunity to work with international and well established companies.

The enterprising participants showcased expertise in gaming, animation, graphic design, online payment platforms using telecom prepaid cards, 3D design, social media and mobile development.

Donation of Braille Laptops

As part of the bank's efforts to reach different segments of society, visually impaired students from Sohar University were presented with Braille Sense 2 laptops. This is in a bid to provide students with the right tools for a better quality of education, and enhanced career prospects after their graduation.

Employee Initiatives

The bank regularly conducts voluntary social activities benefiting many segments of society. Reflecting the corporate ethos, bank employees seize every available opportunity to channel resources for creating sustainable, positive changes in local communities by investing in their welfare to equip them for a better life.

Bank staff, in association with the Sultan Qaboos University Hospital, organised a blood donation drive in the head office where more than 60 employees participated. A Charity Food Festival was also held where the proceeds were used to equip two government schools in Samail and Al Hail with playground sets.

Little Investor Programme

Meethaq launched a unique savings and investment awareness programme targeted at school students. The 'Little Investor' programme, endorsed by the Ministry of Education, is based on well-defined scientific principles. The savings and investment programme is part of

Meethaq's strategies aimed at promoting Islamic banking concepts in society, with particular emphasis on children and youth.

Baraem Back to School Savings

Meethaq Islamic Banking enlivened Muscat Festival with its Baraem Village to promote savings habit among children. Baraem, the children's savings account by Meethaq, lined up fun activities and competitions for children visiting Muscat Festival. Baraem is the first Shari'a based children's savings account in Oman.

Investment Awareness Program

Meethaq launched a unique savings and investment awareness programme targeted at school students. The 'Little Investor' programme, endorsed by the Ministry of Education, was unveiled at a media briefing at the bank's head office today. Based on well-defined scientific principles, the savings and investment programme is part of Meethaq's strategies aimed at promoting Islamic banking concepts in society, with particular emphasis on children and youth. The Happy Family Centre for Family and Educational Consultancy will be responsible for the first phase of the programme to be introduced in three schools. More schools will be covered in the upcoming period in various governorates of the Sultanate.

Responsible Banking



INTRODUCTION

bank muscat's journey began more than three decades ago with a mission of creating value for the nation. Doing more is the bank's forte – more for the economy, more for the community, and more for the environment. It has incorporated sustainable best practices and is fully equipped to guide customers through all stages of their banking life, whether it be savings, investments, financing or just reliable financial advice. The bank strives to maintain a lifelong relationship with customers through responsible banking activities.

In step with the dynamic '**Let's Do More**' vision, the bank'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 reiterate partnership in building the nation by creating prospects for individuals and businesses to grow and prosper.

1. FRAUD PREVENTION AND AWARENESS:

Fraud Awareness and Prevention Forum

The bank, in association with the Economic Crime Unit of the Criminal Enquiries and Investigation Directorate of the Royal Oman Police (ROP), hosted a forum on fraud awareness and prevention. Expert speakers from the ROP and the banking sector addressed the forum, which focused on spreading awareness on alarming trends in financial crimes. This includes electronic crime, money laundering and the widespread usage of forged credit cards globally. The forum highlighted measures to enhance co-

operation between the government and the private sector in matters relating to prevention of financial crimes, identification of the best global practices in work environment, and benefiting from the expertise of relevant bodies.

Whistleblower Policy

Setting a benchmark in professional integrity, **bank muscat** adopted a Whistleblower Policy in 2010 aimed at maintaining the highest standard of ethical conduct in banking operations. The policy is a natural progression emanating from the bank's strong commitment to best practices in Corporate Governance.

The comprehensive policy covers all areas of dealings with customers, colleagues and others, including suppliers and contractors. It is obligatory for all staff members who are required to report immediately any suspicious activities in the bank. Protection is guaranteed to employees reporting any wrong-doing. In order to prevent the abuse of this policy, false allegations, frivolous claims or malicious allegations will not be entertained and the bank will take strong action in this regard.

With a high degree of accountability, the Whistleblower Policy will allow for even more transparent and effective procedures.

Product Awareness

Bank Muscat continuously engages with its customers, ensuring a two way communication front with respect to products and services. The bank has provided customers with a number of platforms including the call center and branches across the Sultanate for any inquiries. The website and information leaflets are made readily available for customers to consult.

G4 – PR5

Personal Security Awareness Campaign

Aimed at raising awareness on personal security linked to computers and mobile phones, the bank regularly communicates to employees highlighting the Dos and Dont's when using these equipment. The messages focus on educating employees to be safe when using computers and mobile phones, especially for online transactions.

2. SUPPORTING OUR CUSTOMERS:

Al Wathbah Businesswomen's Forum

al Wathbah Businesswomen's Forum brings professional women together to provide them with leadership development opportunities, new ways of thinking and vital connections that help them advance and succeed in their businesses. With an eye towards the changing culture of business, the bank offers a first of its kind, social and innovative networking service dedicated to assisting businesswomen of all ages.

al Wathbah Ramadhan Souq

The bank, in association with Riyada, the Public Authority for SME Development, organised al Wathbah Ramadhan Souq at the bank's head office to showcase products and services of Omani women entrepreneurs. The 3-day event attracted more than 100 women exhibitors who displayed home-made products, including clothes, accessories, food items, home decorations and much more, offering a unique shopping experience to visitors. The bank supports and encourages women entrepreneurs to earn a living through home-based business activities. The bank from time to time organises and supports such events with the aim of creating unique opportunities for women entrepreneurs to market their products and become financially independent.

Extended Banking Hours

In a strategic bid to remain the leading pioneer in the Omani market, **bank muscat** have extended operation hours in 16 of its branches, located across the Sultanate. New timings will be from 8.00am to 5.00pm on Sunday through to Thursday. Aimed at accommodating people's busy schedules, the new banking hours in key locations benefit customers who face difficulties in visiting the bank in the mornings. The facility reflects the bank's commitment to making banking convenient and customer centric.

Financial Calculator

The bank introduced a financial calculator providing various options on how to save towards a comfortable retirement, thereby increasing customer awareness and planning. The tool can go into great detail, showing the years for which the money would last, the amount of money required to pay for children's higher education, and calculating the effects of a daily cappuccino on your wallet. The online financial calculator helps customers to learn all these and more.

Themaar Savings Products

The bank's Themaar savings deposit products, designed to help customers save for children's higher education and retirement, serve as a proper financial security. The Themaar Higher Education Savings Plan provides an affordable and systematic monthly savings plan to cover the higher education costs

of children. Also, the Themaar Retirement Savings Plan allows deposits to be tailored to one's financial needs after retirement. At a time when savings are critical to ensure a secure future for one's family, the Themaar products help maximise savings.

Honest Customers Commended

In appreciation of the exemplary action of customers returning excess cash received from branches, the bank hosted special ceremonies to acknowledge their honesty and integrity. Mementos and letters of appreciation were presented to the customers who served as role models for the **bank muscat** family.

Asset Management Financial Calculator

Increasing customer awareness, the bank introduced a financial calculator providing various options on how to save towards a comfortable retirement. The tool can go into as much detail as the years in which the money would last; the amount of money required to pay for children's higher education and goes into as much detail as calculating the effects of a daily cappuccino on your wallet. The online financial calculator helps customers to learn all these and more.

Focus Group Meetings

The Customer Services and Quality department organised Customer Focus Group meetings for corporate and retail customers, aimed at improving banking products, services and customer service. The bank has adopted various methods and techniques to obtain feedback from customers to understand customer requirements, expectation chart the way forward for improvements in service. Some of the tools used are Feedback Management System, Mystery Shopper Program, ISO certification and Customer Focus Group meetings.

Meethaq Launches Video Calls Service Kiosk

As part of Meethaq's efforts to enhance customer service and provide world class banking services driven by state-of-the-art technology, the pioneer Islamic bank has launched a unique Video Calls Service kiosk in Ghubra branch. The new service allows customers to make video calls with the Call

Centre and is easy to use, allows for immediate support, provides information on different products as well as provides emergency services.

Private Education with Meethaq Financial Solutions

As part of its commitment to the national objective of quality education for Omani children, Meethaq hosted a conference under the auspices of HE. Dr. Madiha bint Ahmed Al Shibaniya, Minister of Education, at the **bank muscat** head office. The conference titled 'Private education with Meethaq finance solutions' was attended by dignitaries and senior officials from the government, the Royal Oman Police and leading educational institutions. Key topics covered at the conference include the challenges and opportunities within the private education sector in Oman and safe school transportation system.

3rd Meethaq Business Forum Highlights Sukuk Investment Avenues

Meethaq hosted the third business forum in Nizwa under the auspices of H.E Dr Shaikh Khalifa bin Hamed al Saadi, Governor of Dakhiliyah, to highlight investment opportunities from Islamic bonds or sukuk. Innovative Islamic banking products and services offered by Meethaq were also spotlighted at the forum addressed by prominent Shari'a experts.

Investment for Zakat Funds and Inheritance Wealth

Meethaq hosted a workshop on investment opportunities for zakat funds and inheritance wealth under the auspices of Shaikh Muhanna bin Saif Al Lamki, Governor of North-Batinah Governorate, at Majan Auditorium in Sohar. The workshop addressed by prominent Shari'a experts and businessmen highlighted innovative Islamic banking products and services to utilise zakat funds and inheritance wealth.

3. IIF MEMBERSHIP

The bank is a member of the Institute of International Finance (IIF), a leading global association of financial institutions with close to 500 members from over 70 countries. IIF provides the bank's employees with access to its research, insights and reports on issues affecting the financial services industry. IIF members include banks, insurance companies, asset managers,

sovereign wealth funds, pension funds, central banks and development banks. 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.

'Let's Go Green' Paper Recycling Programme

As part of its 'Let's Go Green' environmental protection campaign, the bank launched a unique paper recycling and waste disposal programme at the head office. The new initiative launched in association with Muscat Daily, was aimed at facilitating a secure recycling and disposal process for paper waste. New 'secure' bins were placed in the bank for this cause. All paper waste in the bank is shredded before being collected by the Muscat Daily paper recycling team.

In an effort to reduce the usage of paper, almost all internal communication are conducted electronically. Soft copies of all policies are available for employee reference on the "i-Share" server system.

The head office is equipped with digital banners and kiosks to promote the bank's products, initiatives and in-house events. This saves printing of around 440 pull-up banners every year. The bank is gradually phasing in digital (online) newspapers to replace physical newspapers. This will lead to a significant reduction in paper waste as employees will be reading online newspapers and publications.

Environmental Footprint

As the flagship bank in Oman with the largest number of employees, we are conscious that our resource requirements impact the environment. As a people-centric organisation, our main environmental impact comes from the energy we use for cooling our offices and powering equipment, movement of employees and suppliers, and the waste we dispose.

Emissions

We are aware of the threat that climate change poses and understand that we must act to reduce our emissions. Currently, we are focused on measuring how our electricity consumption impacts climate change. Most of our emissions come from electricity

consumption. We are also adopting measures to calculate emissions generated from commuting and business travel.

Eco-friendly Head Office

Our head office was designed to inspire environmental stewardship among employees and customers. The building incorporates unique environmental design features to conserve energy and water resources. The building orientation maximises natural light, reducing lighting requirements during daytime. Pilkington "E" glass and film on Oriel windows insulate the building from heat. Occupancy sensors ensure that interior lights are off when an area is vacated.

Water features in the lobby bring down temperature and reduce cooling requirement. Water taps and toilet flushes are fitted with automated sensors to save water. The synchronised positioning of air-conditioning units enhances the natural flow of cool air.

bank muscat is constantly looking for ways to enhance service to customers as part of which free wi-fi service is available at the head office and select branches, facilitating the use of wireless internet through smart phones, tablets or laptops.

Business Continuity Plan

The Business Continuity Plan (BCP) looks at the ways and means to equip the bank to deal with a variety of crises that may come its way, both from economic and natural causes, providing the right set of tools and response mechanisms, as also identifying key procedures that will help protect the organisation during a crisis, reduce downtime and provide minimal disruptions in the normal delivery of products and services. The BCP process involves continuous review and upgrading to keep pace with the dynamic and ever changing business environment that the bank operates in.

APPENDIX A:

REPORTING PROCESS AND PARAMETERS

How we prepared this report

As sustainability reporting covers a very broad range of topics, we focused on only the most relevant issues. Following the GRI reporting principles, we consulted our stakeholders through a variety of channels to understand their key concerns. We crystallized our important topics by applying the materiality principle.

Stakeholder Engagement

Understanding our stakeholders' needs is essential for ensuring our success as a sustainable business. We have many communication channels open with all our key stakeholders to discuss issues that affect them. Our stakeholders' inputs highlight opportunities for us to improve, especially in terms of creating more value for our stakeholders. The stakeholder engagement matrix below summarizes our efforts to incorporate internal and external stakeholder feedback into our corporate sustainability strategy. The stakeholder groups were identified based on their ability to impact our operations and activities, and our ability to affect them as stakeholders.

Stakeholder group	How bank muscat engages with this stakeholder group	Priority Sustainability Concerns	bank muscat's Actions
Employees	<ul style="list-style-type: none"> Periodic appraisal sessions Weekly team meetings, periodic one-to-one meetings Employee satisfaction survey Continuous communications and interaction through bank muscat news alert (e-mail system) and iShare (intranet) Staff recreation events 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"> Conduct periodic employee satisfaction surveys Implemented HR online appraisal and goal setting systems, that require employee feedback The bank implemented a comprehensive learning & development strategy A state-of-the-art head office to provide best work environment New organizational structure with young Omanis in leading positions The bank has a staff engagement function within HR Department
Customers	<ul style="list-style-type: none"> Call Centre – calls are logged into the bank's Feedback Management System (FMS). Bank's website – Customers can log on to www.bankmuscat.com and register their remarks under the section "feedback". Focus groups – CSD conducts focus group programs all through the year involving customers and branch staff in all regions wherein suggestions from customers are taken for improving the bank's services. Customer networking events for specific customer segments Largest branch network & ATM/CDM network Press releases, interviews, magazine articles, etc.. Website & Social Media (Facebook, Twitter, LinkedIn, etc..), SMS, e-mail messages, outdoor media, TV & Radio Spots, Annual Reports, brochures and leaflets 	<ul style="list-style-type: none"> Efficient customer service Innovative and convenient suite of products and services catering to requirements of different segments Deploy technology to provide best electronic banking channels Enhance the bank's widest range of banking channels in Oman 	<ul style="list-style-type: none"> Established a dedicated customer care unit within CSD Feedback/complaints logged into FMS/are tracked and reported monthly. Reports are shared with the bank's management committee. The bank organizes mystery shopper exercises to test the efficacy of customer care processes.

Stakeholder group	How bank muscat engages with this stakeholder group	Priority Sustainability Concerns	bank muscat's Actions
Government (including Regulatory bodies)	<ul style="list-style-type: none"> Designated "Government Business" Division that caters to the banking needs and requirements of the government entities through meetings, visits, correspondences, etc.. Investment in the national economy Supporting initiatives of national importance 	<ul style="list-style-type: none"> Contribution to the national economy Alignment to Oman's 2020 vision Abidance by government rules and regulations, and those related to transparency and disclosure 	<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
Correspondent / other banks /international entities	<ul style="list-style-type: none"> Dialogue through Financial Institutions Group (FIG) Annual Reports Roadshows & presentations 	<ul style="list-style-type: none"> Normal business transactions Enhance lines of credit & grow business 	<ul style="list-style-type: none"> Established a dedicated department to engage with this stakeholder Follow a relationship-based approach Obtained quality awards from other banks (JP Morgan Chase, Deutsche Bank & Citi Bank awards)
Shareholders/ Investors	<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 Website: latest news is available on www.bankmuscat.com and there is a dedicated "Investor relations" page Investor Roadshows/presentations 	<ul style="list-style-type: none"> Creating added value for all our stakeholders including shareholders and investors 	<ul style="list-style-type: none"> Steady net income and asset growth Reward shareholders, yet look at future growth in terms of capital adequacy
Local community, NGOs & Others	<ul style="list-style-type: none"> Continuous correspondence with NGOs and other bodies Supporting local talents and charitable organizations through sponsorship unit and CSR Department Daily coverage of the bank's activities via press releases, interviews, magazine articles, radio spots etc..Website & Social Media (Facebook, Twitter, LinkedIn, etc..) 	<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"> Dedicated sponsorship function within the bank Dedicated CSR Department within the bank
Local, regional & international media	<ul style="list-style-type: none"> Daily Press releases, interviews, magazine articles, Daily Social Media updates (Facebook, Twitter, LinkedIn, etc.) Press Conference Annual Reports, brochures and leaflets Media networking events 	<ul style="list-style-type: none"> Media relations & PR Media awards 	<ul style="list-style-type: none"> Practice of monthly press conference where all media are invited to the head office Awards from local, regional and international media.

bank muscat – Materiality Matrix (2014)

We determined the key sustainability Economic, Social and Environmental aspects which substantively impact upon **bank muscat's** performance and influence the assessments and decisions of stakeholders.

To identify sustainability aspects, **bank muscat** considered the following inputs:

- GRI G4 aspects–Banking and Financial Sector
- GRI Sustainability Topics for Banking and Financial Sector
- Sustainability Accounting Standards Board Topics– Financial Sector
- Vital topics in the Middle East Regional banking

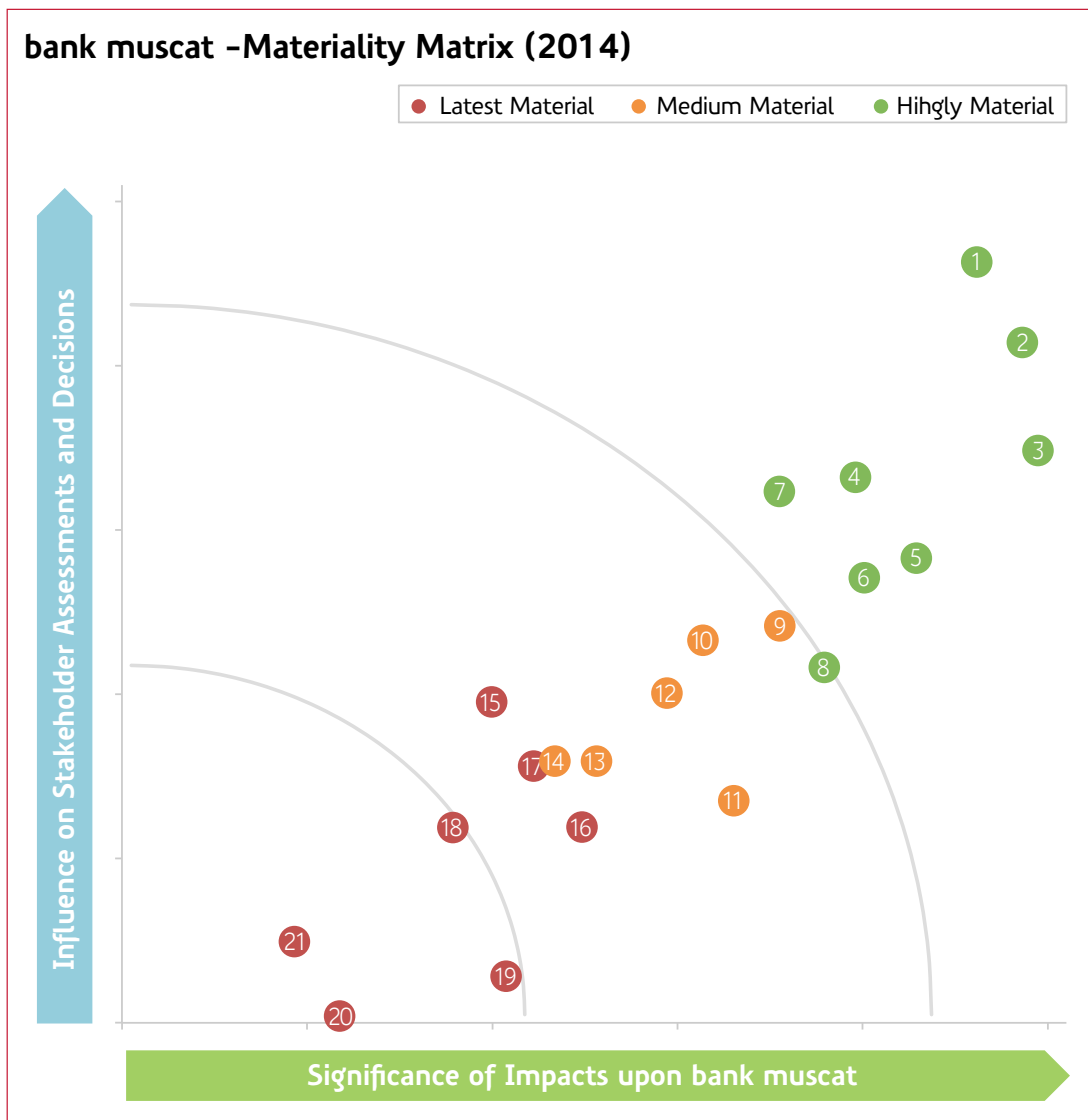
The Bank then prioritized the aspects through the lens of importance to **bank muscat** and influencing the decisions of the stakeholders. This was completed using an internal assessment mechanism that took input from all departments who were encouraged to consider their business priorities and regular engagements with stakeholders. The matrix was developed and then validated by the sustainability team.

The bank will regularly incorporate the input of stakeholders, key organizational values, policies, strategies, operational management systems, goals, and targets, international and national initiatives and guidelines

Highly material aspects are of critical importance to both business success and stakeholder expectations. These topics are regularly monitored and are lucidly reported in our sustainability report. The issues assigned a medium level of materiality represent a range of topics that the business must manage well and report on consistently. The aspects given the lowest level of materiality are of minor strategic importance, often not relevant to the business or stakeholders and thus will not be a focus for immediate action or extensive reporting.

The results of the materiality assessment is provided below in the form of a matrix and table of aspects, including their boundaries.

bank muscat -Materiality Matrix (2014)



Aspect	Group	Level of Materiality	External Boundaries
Governance and Accountability	Economic	Yes	Government, shareholders, local communities, media
Data security and privacy	Social	Yes	Customers, shareholders
Regulatory Compliance	Economic	Yes	Government, shareholders
Training and Education	Social	Yes	Employees
Economic Performance	Economic	Yes	Government, shareholders
Risk Management and best practices	Economic	Yes	Shareholders
Customer Satisfaction	Social	Yes	Customers
Employee Satisfaction	Social	Yes	Employees
Ethical marketing and communication	Social	Somewhat	Customers, local communities
Employee Grievance Mechanism	Social	Somewhat	Employees
Innovation in tailor-made Banking products	Economic	Somewhat	Customers, local communities
bank muscat HR policies and ethics	Social	Somewhat	Employees and government
Environmental compliance and grievance mechanism	Environment	Somewhat	Government, shareholders, local communities, media
Environment friendly products and process	Environment	Somewhat	Customers, government, local communities
Non-discrimination	Social	No	
Indirect Economic Impact	Economic	No	
Business ethics and anti-competitive behaviour	Social	No	
Supplier Management and Ethical compliance	Social	No	
Community needs and investments	Social	No	
Stakeholder Grievance Mechanism	Social	No	
Environmental performance	Environment	No	

Appendix B – GRI G4

Content Index



GENERAL STANDARD DISCLOSURES		
General Standard Disclosures	Page Number	External Assurance
STRATEGY AND ANALYSIS		
G4-1	7	None
ORGANIZATIONAL PROFILE		
G4-3	7	None
G4-4	11	None
G4-5	11	None
G4-6	11	None
G4-7	11	None
G4-8	11	None
G4-9	11, 24, 29	None
G4-10	29	None
G4-11	Bank Muscat staff are not part of a union	None
G4-12	24	None
G4-13	No major changes	None
G4-14	23, 40	None
G4-15	19, 23	None
G4-16	39	None
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	9, 11	None
G4-18	9, 43, 44	None
G4-19	44	None
G4-20	43, 44	None
G4-21	44	None
G4-22	No restatements have been made	None
G4-23	No significant changes	None
STAKEHOLDER ENGAGEMENT		
G4-24	41, 42	None
G4-25	41	None
G4-26	41, 42	None
G4-27	41, 42	None
REPORT PROFILE		
G4-28	Calendar year	None
G4-29	2014 Sustainability Report	None
G4-30	Annual	None
G4-31	45	None
G4-32	8	None
G4-33	No external assurance	None
GOVERNANCE		
G4-34	18, 19	None
ETHICS AND INTEGRITY		
G4-56	21	None

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number	Omission	External Assurance
CATEGORY: ECONOMIC			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	20		None
G4-EC1	24		Page 94, Bank Muscat Annual Report (http://www.bankmuscat.com/en-us/InvestorRelation/fi/AnnualReports/Annual%20Report%202015%20English.pdf)
MATERIAL ASPECT: MARKET PRESENCE			
G4-DMA	7		None
G4-EC6	29		None
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	21, 37		None
G4-EC8	21, 22, 34, 37, 38		None
MATERIAL ASPECT: PROCUREMENT PRACTICES			
G4-DMA	24		None
G4-EC9	24		None
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT: PRODUCTS AND SERVICES			
G4-DMA	21, 22, 23, 24		None
G4-EN27	21, 22, 23, 24		None
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-DMA	29		None
G4-LA2	Benefits provided to full time employees, include health insurance, annual bonus and a savings plan.		None
MATERIAL ASPECT: TRAINING AND EDUCATION			
G4-DMA	29, 30		None
G4-LA10	30, 31		None
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	29, 30		None
G4-LA12	13, 29		None
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-DMA	33		None
G4-SO1	33, 34, 35		None
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING			
G4-DMA	37		None
G4-PR5	38		None
MATERIAL ASPECT: CUSTOMER PRIVACY			
G4-DMA	37, 38		None
G4-PR8	24		None
MATERIAL ASPECT: ACTIVE OWNERSHIP			
G4-DMA	22, 23		None
G4-FS11	22, 23		None

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