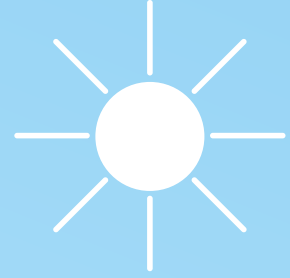




بنك مسقط
bank muscat

2016
SUSTAINABILITY
REPORT

Great Plans
Lead To Great
Success



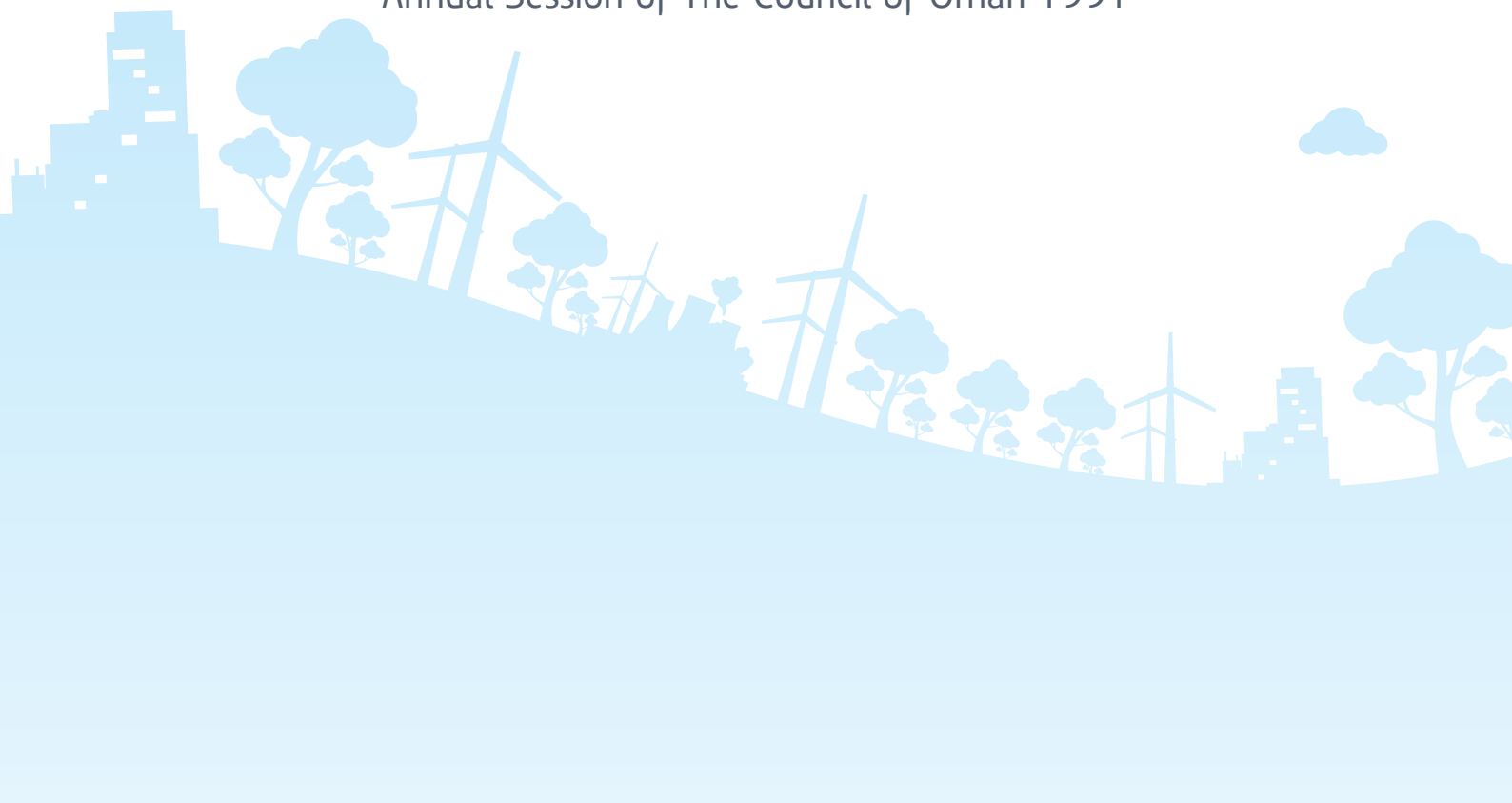


"Development is not merely an aim in itself. It is the achievement of the well-being of mankind.

Thus our understanding of this need should not be confined to the narrow pursuit of wealth alone but the progress and active involvement of the people. Only then can the structure of our country be unshakably built, proof against any storms."

His Majesty Sultan Qaboos Bin Said

Annual Session of The Council of Oman 1991





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A MESSAGE FROM OUR CHIEF EXECUTIVE

bank muscat marked a unique positioning in 2016 with Imprints, a first-of-its-kind social responsibility initiative aimed at reciprocating what the country has given us during the past 46 glorious years led by His Majesty Sultan Qaboos Bin Said. The Imprints initiative reiterates the bank's commitment to sustainable development, environmental protection and support to society. The unique public-private partnership is in collaboration with the Ministry of Education, Ministry of Tourism, Muscat Municipality and the Public Authority for Consumer Protection.

The bank has drawn up a wide-ranging plan on the Imprints platform to demonstrate its commitment to be the most exemplary corporate citizen in Oman and thereby motivate others to follow suit with similar initiatives benefiting the nation. At the core of Imprints are four key themes to instill financial literacy, promote sustainable tourism, sustain green environment and encourage enriched lifestyle. The concurrent themes look into diversifying the economy and engaging the community to develop prudent personal finance and spending habits.

The bank's operations driven by its 'Let's Do More' vision and Values – leadership, innovation, partnership, accountability and integrity – represent what we stand for; how we conduct ourselves as the trusted banking partner and how we engage with our shareholders, business partners, colleagues and the communities we serve. Our commitment to customers is the key to achieving our strategic objectives; thereby establishing sustainable, long-term business relationships in communities we operate in.

With clarity of Vision, Values and Strategy, the bank distinguishes itself in banking excellence, focusing on its customer-centric strategy to sustain the competitive advantage. Setting new standards, the bank embarked on further enhancement to products and services to serve customers better.

The Sustainability and CSR strategy pursued by bank muscat is focused on delivering long-term benefits to the community and the nation. All Sustainability and CSR programmes draw from the bank's values of leadership and partnership, creating a positive impact on society covering areas such as education, sports and health. 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 various initiatives.

Oman's National Programme for Enhancing Economic Diversification – Tanfeedh – is mandated to drive the 9th Five Year Plan projects. 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. We are confident that we will continue to make Imprints with sustainable initiatives, positively impacting development in Oman.



AbdulRazak Ali Issa
Chief Executive

ABOUT THIS REPORT

Our fifth sustainability report describes bank muscat in 2016, and provides an account of actions and performance data relating to a range of business, economic, environmental and social issues which make up our sustainability performance. Building upon last year's report, we have also expanded our reporting to include new performance indicators.

The 2016 report theme "Great Plans Lead to Great Success" shines light on Imprints, our largest corporate social responsibility campaign that was launched this past year. 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. Imprints is a strong reflection of this, as Imprints is multi-stakeholder collaboration that places a strong emphasis on economic diversification, financial planning and environmental protection.

The scope of reporting covers the calendar year 1st January 2016 to 31st December 2016 in relation to bank muscat's Oman operations, unless noted otherwise. This report is based on the Global Reporting Initiative [GRI] G4 Guidelines 'in accordance' option core. For further information and the GRI G4 Content Index, please see Appendix A.



[G4-17, G4-18]



"Great Plans
Lead to Great
Success"

PERFORMANCE HIGHLIGHTS 2016

4%

increase
in personal banking
customers

17%

increase
in Point of Sale
terminals

9%

increase
in lending

94%

Omanisation



Hosted the 2nd Annual
bank muscat
Businesswomen
Awards

68%

Omanisation of
senior management



Imprints CSR Campaign
launched



Meethaq launches
paperless banking

35%

increase in
Meethaq customers



Twitter customer
care account
launched

2%

decrease
in electricity
consumption
employee

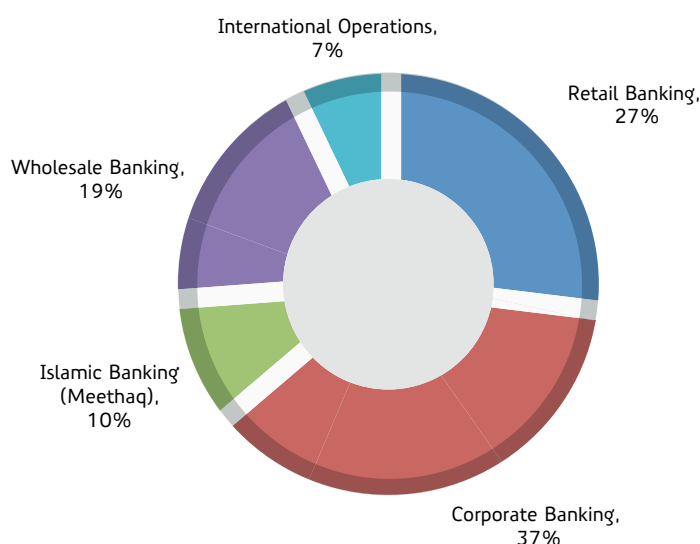
ABOUT bank muscat

bank muscat is the leading financial services provider in Oman, with a strong presence in Corporate, Personal, Islamic, Global Institutions and Investment Banking. The bank operates in Oman under a banking license 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 with 152 branches, 668 Automated Teller Machines (ATMs) and Cash Deposit Machines (CDMs), and 18,000+ Point of Sale (PoS) terminals (includes Meethaq and Corporate banking access points). The international operations consist of a branch in both the Kingdom of Saudi Arabia (KSA) and Kuwait, and a Representative Office in Dubai, Singapore and Iran. bank muscat currently has a 100% stake in Muscat Capital LLC, a brokerage and investment banking entity in KSA. As the flagship financial institution in Oman, bank muscat has a proven track record of excellence in service and enjoys a 38% market share in Oman. bank muscat is publicly listed on the Muscat Securities Market (MSM) and is listed on the Bahrain, London and Luxembourg Stock Exchanges.

Important Facts
152 branches
RO 7.96bn lending
RO 7.46bn customer deposits
1.9 M customers
0.75% of 2015's after tax profit CSR spending
3,643 employees
RO 176.8 M net income

Shareholders	%
Royal Court Affairs	23.63
Dubai Financial Group LLC	12.37
Ministry of Defence Pension Fund	6.49
Civil Services Pension Fund	5.20
Public Authority for Social Insurance	4.27
Muscat Overseas Group	3.88
Others	44.17

Portfolio by business segments
(of total assets %)



OUR QUALITY VISION

Our Sustainability Framework

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 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 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.

Our sustainability framework is the result of the leadership and support of the Board and Executive Management. We have driven the principles of sustainability from the top down and into the fabric of our work culture. As we are committed to delivering value to the economy, the environment and society, we intend to expand the reach of our CSR department and develop a strategy to make sustainability at the forefront of everything we do.

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 to sustain a reputation for quality in the national and international markets. In 2016, we became the first bank in Oman to become certified under ISO 9001:2015 (the

quality management system standard). As per the standard, retail branches, Meethaq branches and HO departments were included in the yearly quality audit.

Our Quality Policy is embedded throughout bank muscat's operations. Our products and services are continually improved as a result of both employee and customer feedback. We invest in our employees' talent development to ensure they exceed the expectations of our customers. The combination of learning from our stakeholders and our skilled personnel enable us to offer our clients excellent service, innovative products and value-added banking.

Our dedication to good corporate governance and support of Oman's 2020 vision has allowed us to achieve sustainable growth, creating value for all our stakeholders in the process. We are confident that our commitment to quality has helped us maintain our position as the leading financial institution in the Sultanate of Oman.

OUR STAKEHOLDER ENGAGEMENT

Understanding and balancing the needs, priorities and expectations of stakeholders is an essential part of building a better business. Since bank muscat first opened its doors in 1982, we have worked hard to develop strong relationships with our stakeholders. We are continually searching for new communication channels to reach out to our valued stakeholders and for them to reach out to us. In 2016, we opened new channels on social media to listen for our stakeholders to reach out to us. It is from their input that we learn and realise opportunities for improvement, thereby creating more value for our stakeholders and the business. [G4-25]

More information about them we engage our stakeholders can be found in Appendix B.

Our Materiality Assessment

For our 2016 assessment, we mapped 21 economic, social and environmental issues, selected based on their significant impact and relevance to our business and stakeholders. The selection of the issues was performed considering the following:

- The GRI G4 Guidelines;
- The GRI G4 Financial Services Sector Disclosures;
- The Sustainability Accounting Standards Board (SASB) – Financials Sector; and
- Banking issues of importance in the Middle East.

The final selection and prioritization of issues was informed by internal workshops among bank muscat focal points that interact with key external stakeholder groups. [G4-18]

In this year's materiality assessment, 'data security and privacy' moved ahead of 'governance and accountability' to become this most important material issue for both bank muscat and its stakeholders. 'Data security and privacy' in our digital age is key to protecting the bank and its customers from malicious cyber activities. We understand the sensitivity of this issue and continually work to mitigate against any risks around this issue. Since 2014, 'environmental performance' has advanced in terms of its relative importance, as well as 'customer satisfaction' and 'innovation in tailor-made banking products'. Economic performance remains a very material issue, only outweighed by those issues that help to support it, such as 'risk management and best practices' and 'regulatory compliance' to name those not yet mentioned.

Materiality is a process that allows us to continually consider the perspectives of our stakeholders and improve our performance to meet our company and stakeholders' expectations. As we learn how to better capture and engage our stakeholders' priorities, we aim to increase the value that we contribute to Oman. As our materiality process evolves, we intend to directly survey key external stakeholder representatives and update our key sustainability topics and priorities.

More information about our materiality assessment can be found in Appendix A.

OUR VISION & VALUES

OUR VISION

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 fine threads of working relationships between employees, customers, regulators, business partners, suppliers and the wider community.

We can do more

Leadership means challenging everything we do continuously. To Listen, to improve and to look for positive change. Because, only through questioning convention can we truly deliver sustainable value.

OUR VALUES

Driven by a passion to achieve continuous progress on our 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.

Leadership	Inspire others to perform beyond what they thought was possible and become role models in the industry
Innovation	Continuously ask ourselves what we can do better today than yesterday
Partnership	Create win-win situations for our stakeholders in whatever we do
Accountability	Stand responsible for all the actions and decisions we take
Integrity	Do the right thing in all circumstances

OUR LINES OF BUSINESS

Personal Banking	The bank offers a complete range of personal banking products and financial planning and trust 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.	Personal Banking
		Premier Banking - private - asalah - al jawhar
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.	Large Corporates
		Project Finance
Global Institutions and Investment Banking'	The bank offers a comprehensive set of financial services including corporate finance product structuring, securities, foreign exchange, trade finance, brokerage and research services.	Small and Medium Sized Enterprises (SMEs)
		Investment Banking
		Private Equity & Asset Management
		Relationships & Placements
		Research & Business Initiatives
		Oman and Innovation
		Proprietary Investment
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.	Global Financial Institutions
		Personal Banking
		Corporate Banking
		Hafawa Priority Banking

CORPORATE GOVERNANCE

Good corporate governance is a key driving force behind how bank muscat conducts its business, as it supports the delivery of responsible, ethical, and sustainable business outcomes.

The Board of Directors (the Board) is the highest governing body and responsible for the strategic oversight and decision making within the bank. Among its many responsibilities, the Board plays an integral role in policy formulation, supervises major initiatives, oversees policy implementation, ensures compliance with laws and regulations, nurtures proper and ethical behaviour, and upholds transparency and integrity in reporting.

At the head of the bank, the roles of the Chairman of 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 as outlined in the bank's board charter.

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 their provisions.

As we strive to ensure accountability, transparency and ethical business practices, our Board plays an interactive role in the strategic management and governance of the bank through three formal executive committees.

Executive Committees		
Board Risk Committee	Board Audit Committee	Nomination and Compensation Committee
Oversees the risk management function at the bank, and provides recommendations to the Board on the risk-reward strategy, risk appetite and policies and framework for managing all applicable risks.	Aids the Board in fulfilling its responsibilities of monitoring/overseeing the financial reporting process, the adequacy and effectiveness of the internal control systems, the effectiveness of the audit process and the bank's process of complying with laws and regulations.	Leads the process for Board and Management appointments, through the identification and nomination of relevant candidates for Board approval; and sets the principles, parameters and governance framework of the bank's Compensation policy to ensure directors meet the competencies prescribed by the CMA and the CBO.

Meethaq Islamic Banking

Ethical, equitable, social and sustainable investments are synonymous to Islamic finance. All our investments are screened as per the Accounting and Auditing Organization 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.

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 bin
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



Sunder George
Director



**Khalid Nasser
Humaid Al Shamsi**
Director

Composed of nine members, with experience in banking, finance, economics and associated fields, the Board leads the strategic direction of the bank and oversees its operations.

Remuneration of the Board

The total remuneration and sitting fees paid/accrued to members of the Board for the year 2016 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). As all members of the Board are Non-Executive Directors; no fixed remuneration or performance-linked incentives are applicable.

Shareholder Rights

bank muscat gives minority shareholders prime importance in terms of safeguarding their interests and ensuring that their views are reflected in shareholders' 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 raise concerns against the Board or the management if the actions of the Board or management are in any way prejudicial to their interests.

Self-Evaluation

In line with its commitment to continuously improve and enhance its Corporate Governance framework, KPMG performed the bank's 2015/2016 Board Evaluation exercise. bank muscat is committed to implementing all recommendations to enhance its strong corporate governance practices and culture.

AWARDS & RECOGNITION IN 2016



'Best Bank in Oman'
Euromoney



'Best Brand'
in the banking
segment Annual
Best Brands in
Oman survey by
Business Today



'Best Credit
Card in Oman'
Banker Middle East



'Best Online
Service in Oman'
Banker Middle East



'Best Private
Bank in Oman'
Global Finance

najahi

'Best SME Product in Oman'
for najahi banking
Banker Middle East

100

'Forbes Top 100 Companies
in the Arab World'
bank muscat was the only
Omani company to
achieve this distinction



'Best Islamic Retail
Banking Window in Oman'
Cambridge IF Analytica, UK



Nominated for the
'Best Islamic Banking Award'
Islamic Finance News (IFN)

SUSTAINABILITY GOVERNANCE

Sustainability at bank muscat is directed by our Sustainability Committee. The Committee is comprised of members from senior management from diverse professional backgrounds and is a demonstration of our commitment to company-wide integration of sustainability. The Committee is the main governing body for all sustainability and corporate social responsibility (CSR) activities and initiatives taking place within the Bank. In collaboration with the CSR department and the support of our employees, the Sustainability Committee is working to ensure our approach to sustainability is holistic, to incorporate sustainable best practices in our core business services, and to engrain sustainability in our corporate culture.

OUR SUSTAINABILITY COMMITTEE



Sheikha Al Farsi
GM – Strategy and Organizational Development



Thomas Totton
GM – Internal Audit



Damian O'Riordan
DGM – Compliance



Ahmed Al Ojaili
SAGM – Business Solutions & Apps



Osamah Abdullatif
AGM – Project Finance



Saleh Al Maini
AGM – Interior Regions



Assad Al Kharusi
Head – Products & E-Banking (Meethaq)



Ashok Krishna Murthy
Deputy Head – Risk Management



Daad Adlouni
Deputy Head – Corporate Communications and Sustainability



Deema Habib
Head – Sustainability



Munira Al Balushi
Senior Advisor – Internal Audit



Wafa Al Zidjali
Manager – LGD & Pricing

ENHANCING ECONOMIC PERFORMANCE

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 and by aligning itself to the Oman 2020 vision. As a forward-looking financial institution, bank muscat is committed to the development and progress of Oman vis-à-vis its operations.

FINANCIAL PERFORMANCE

The operating environment, particularly with the fall in oil prices, has been challenging and is expected to put significant pressure on liquidity and asset quality of financial institutions in the region. The sustained weak oil price is also likely to have an impact on government spending on large projects. This situation and its cascading effects have impacted the performance of major companies.

Despite the tough operating environment, the bank was able to sustain earnings and maintain the quality of its assets in 2016. bank muscat's net income reached RO 176.8m with operating income reaching RO 416.18m, an increase of 1% and 2% respectively from 2015. This was possible because of the many proactive steps taken by the bank, including coordination with all its stakeholders. The bank conducted many stress and reverse stress tests on the balance sheet to estimate the impact of the current challenging operating environment which helped in taking steps to mitigate the credit, market and liquidity risks.



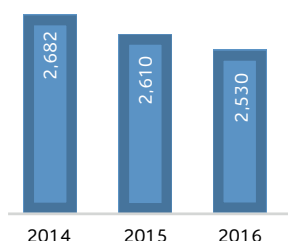
Financial Performance and Economic Value Generated and Distributed (RO '000s)	2014	2015	2016
Total assets	9,728,318	12,544,529	10,820,070
Total equity	1,312,067	1,396,959	1,546,740
Revenues (before recovery & charges)	383,110	407,736	416,175
Net income	163,227	175,451	176,801
Operating costs including employee wages and benefits	146,686	159,871	161,357
Employee wages and benefits	85,982	93,979	95,149
Payments to providers of capital	54,567	57,290	62,406
Payments to government	-	-	-
Community investment: Voluntary contributions and investment of funds in the broader community (includes donations)	1,433	1,078	1,506
Gross taxes	23,043	22,067	27,813
Depletion, depreciation and amortization	11,204	11,185	12,721
Economic value retained	-	-	-

Customer base and Customer Deposits

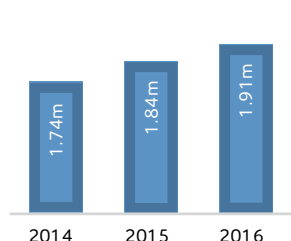
In 2016, we continued to see growth in our personal banking customer base, witnessing a 4% increase from 2015, an increase of 10% since 2014. Albeit, our large corporate customer base has receded by 3% from 2015. Personal banking customer deposits grew by 3%, reaching RO 2.6bn in 2016, while total customer deposits reached RO 7.46bn. Since 2014, total customer deposits have increased by 13%.

Number of Customers

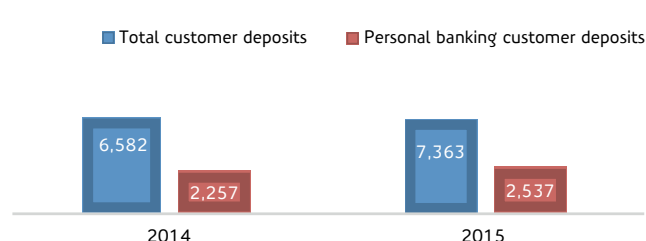
Corporate Banking (Large)



Personal Banking



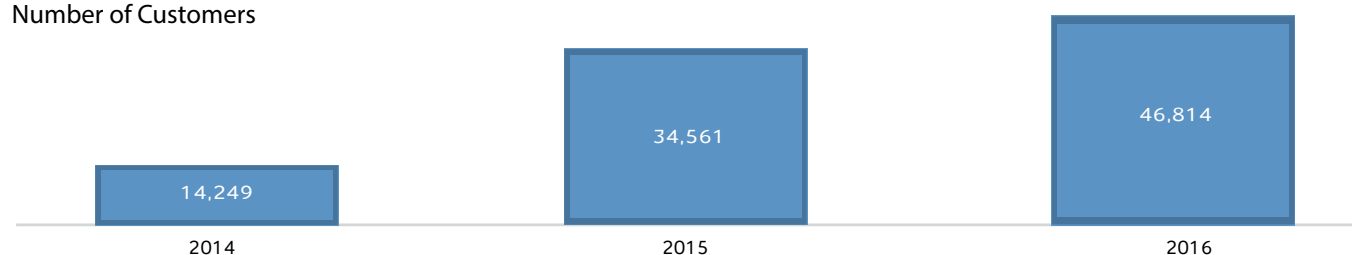
Customer Deposits (RO '000s)



Meethaq Islamic Banking

Meethaq's customer base has continued to see impressive growth. In 2016, Meethaq customers total 46,814, a 35% increase from 2015. Since 2014, Meethaq's customer base has grown by 229%.

Number of Customers



IMPROVING ACCESS TO SERVICES

Ways to bank with bank muscat:

- Branches
- Internet Banking
- Mobile app
- Phone Banking
- 24-hour ATM/CDM/FFM

At bank muscat, we understand that accessing banking services whenever and wherever you are, is important, which is why we offer a diversity of banking channels to ensure our customers' banking needs are fulfilled at any time. As part of its commitment to innovation in banking service excellence, technology plays an increasingly important role in our service delivery.

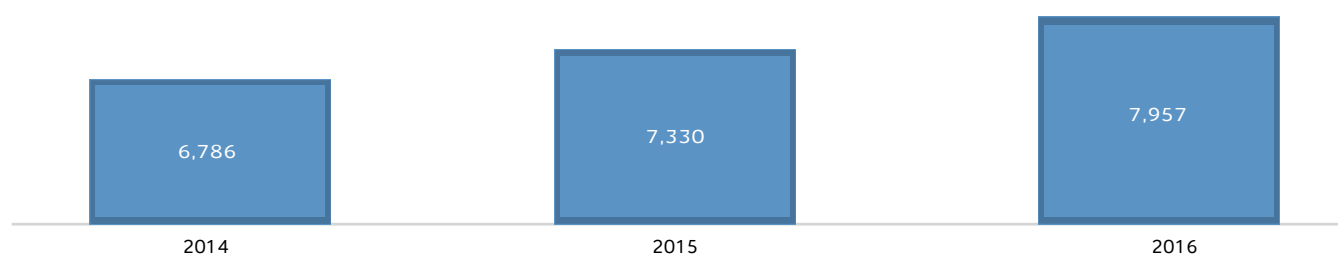
bank muscat operates the largest network of ATMs and CDMs, and branches in Oman. In 2016, the bank operated a total of 152 branches and 668 ATMs and CDMs (includes Meethaq and Corporate Banking) throughout Oman.

Access Points		2014	2015	2016
bank muscat	Branches (Retail and Corporate Banking)	133	135	141
	ATMs	435	431	422
	CDMs	166	156	157
	Full Function Machines (FFMs)	4	34	58
	Point of sale terminals	10,454	15,472	18,128
Meethaq	Branches	12	17	17
	ATMs	12	17	18
	CDMs	6	14	13

Lending

Access to credit is an important factor to enabling economic growth and improving wellbeing, which is why bank muscat is dedicated to increasing financial inclusion throughout the Sultanate. In 2016, bank muscat lending reached RO 7.96bn, an increase of 9% from 2015. Since 2014, lending at bank muscat has grown by a total of 17%.

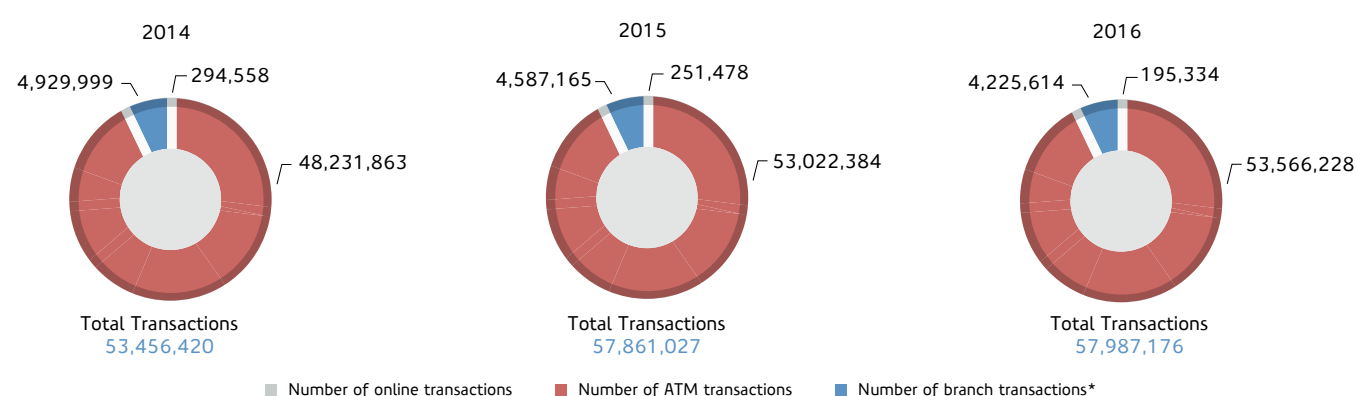
Net Loan and Advances (RO '000s)



Transactions

In 2016, online personal banking transactions decreased by 22%; however, due to increased ATM transactions, total transactions increased slightly. Since 2014, total transactions have increased by 8%, the sole driver of this growth being increased ATM transactions.

Transactions by mode (bank muscat personal banking)



*Branch transactions include cash deposits and withdrawals from tellers.

CUSTOMER EXPERIENCE

bank muscat aspires to offer the best customer experience possible and constantly searches for new means to enhance its customer service. Throughout the year in 2016, the bank conducted customer focus groups with its Retail, Corporate, and Meethaq customer segments. The bank also completed a Mystery Shopper programme, covering its retail, and Meethaq branches, to benchmark its products and service with other banks. The feedback received from activities like these, as well as others, are used to help improve the bank's services.

Demonstrating its innovative approach to customer service, bank muscat was the first bank in Oman to launch a dedicated social media account on Twitter for customer care, as well as a programme to train employees in sign language to better serve its hearing-impaired customers. In 2016, the bank also launched the CareMore initiative, offering soft-skills training to employees. In addition to recognising employees who have added value to interactions with customers.

Addressing Customer Complaints

In 2016, bank muscat resolved 82% of complaints within the service level agreement (SLA) period. For all years, the bank has resolved complaints within the SLA period by more than the target specified.

Customer Complaints	2014	2015	2016	Target
Complaints resolved within SLA period (%)	88%	79%	82%	75%

Meethaq Islamic Banking

As part of its focus to offer a world-class Islamic banking experience to customers, Meethaq opened state-of-the-art branches in Souq Al Seeb and Muttrah Corniche, as well as a Hafawa Centre at Seeb Branch and a Sales Centre at Oxy.

In addition, **meethaq@bankmuscat.com** has been created for customers to submit their complaints and enquires with a dedicated team working to follow-up on all customer submissions. In 2017, Meethaq aims to launch the Feedback Management System for Meethaq customers.

PRODUCT AND SERVICES INNOVATION

To meet the evolving needs and expectations of our customers, bank muscat uses the feedback its receives from our customer communication channels to develop new product and services.

eGovernment Project

The bank distributed over a million Chip and PIN debit cards to customers across the Sultanate as part of the ambitious eGovernment project.

Zeinah Cares

In 2016, Zeinah Cares was launched. Remaining baizas in ladies Zeinah savings accounts can be transferred to a charity account at the end of every month. Not only does the initiative provide convenience to the customer by rounding out their savings account at the end of every month, but it also facilitates a small donation. These small charitable acts accumulate in the long-term, and the funds are donated to a charity chosen in coordination with the Ministry of Social Development to ensure transparency.

Al Mazyona Savings Scheme

In 2016, the bank announced the al mazyona Savings Scheme to promote saving among our customers. The prize of RO 10m was the biggest in Oman and the region. As part of the scheme, the bank distributed over 700,000 Chip and PIN debit cards with advanced security features, thereby reiterating its commitment to secure card transactions.

Holiday Finance Package

In 2016, bank muscat launched the first-of-its-kind 'Terhal' holiday finance package, providing a boost to the tourism sector and opening the doors for avid travellers. Terhal is a one-year short term loan, bundled with a credit card and comprehensive travel insurance coverage for a year.

Corporate Banking

In 2016, Corporate Banking launched the following new products:

Corporate Standard Credit Card	With a max limit of RO 100K the card is ideal for travel and entertainment expenses. It provides card holders lounge access in Salalah & Muscat airports.
Corporate Signature Business Credit Card	With a max limit of RO 500K, this card is ideal for executive management. It provides access to over 550 airport lounges around the world.
Corporate Purchase Card	The usage of this card is restricted to Omani government terminals, making it a carefree choice for government payments.

Meethaq Islamic Banking

In 2016, Meethaq launched the following products:

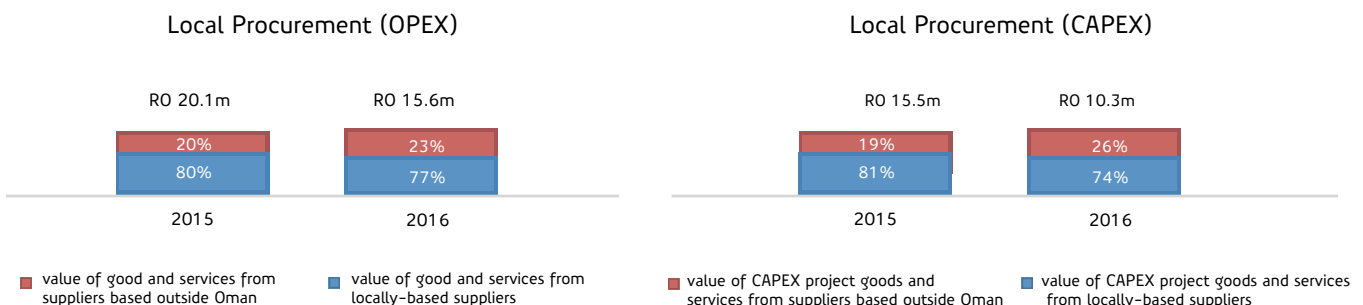
- Wakalah bil Istithmar for Corporate Customers
- Meethaq personal goods finance for Retail Customers
- Meethaq fixed deposit products
- Safe deposit lockers at 7 branches
- Meethaq Savings Plan

In 2016, Meethaq launched the following technology-enabled applications:

- Retail and corporate internet banking
- Migration of contact centre to new premises
- Migration of contact centre telephony to upgraded Avaya system
- Interactive Voice Response (IVR), Computer Telephony Integration (CTI), and new speech recording software for the contact centre, as well as a resolver system for complaints and service requests

LOCAL PROCUREMENT

bank muscat prioritises engaging with local suppliers to fulfill the operational (Opex) needs of the bank whenever possible as 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, 84% of the suppliers we engaged were locally-based and 77% 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 capital expenditure (Capex), 74% of the total value of goods and services were sourced from locally-based suppliers in 2016.



DEVELOPING FROM WITHIN

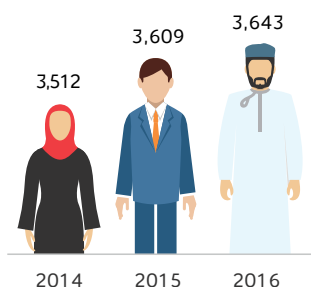
bank muscat takes pride in its employees and their accomplishments. We invest in our workforce's potential to equip our staff with the skills needed to succeed professionally and move into leadership positions. The bank's focus on talent development has helped bank muscat to emerge as the leading financial institution in Oman and exemplifies our support of His Majesty Sultan Qaboos bin Said's 2020 vision by improving the level of human capital in the Sultanate.



OUR WORKFORCE

In 2016, our workforce continued to grow, reaching 3,643 employees. Strong financial performance over the past three years has enabled bank muscat to grow by 4% since 2014. In 2017, we expect to see continued employment growth.

Total Workforce*



*All bank muscat employees are full-time employees

Youth Employment

We take pride in our youth demographic and help to nurture our young employees' professional growth as part of our wider leadership and development programmes. As the bank continues to grow, providing attractive employment opportunities to young adults remains a priority at bank muscat. Empowering young people through a rewarding and inclusive work environment is something we strive for and benefits not only the employee, but our society and business. In 2016, 44% of our employees were between the age of 18 and 30.

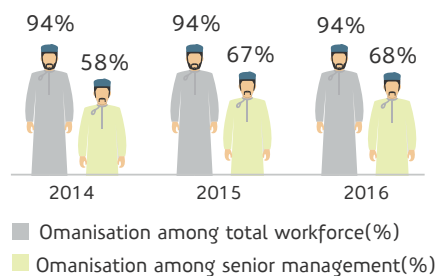
Workforce By Age 2016



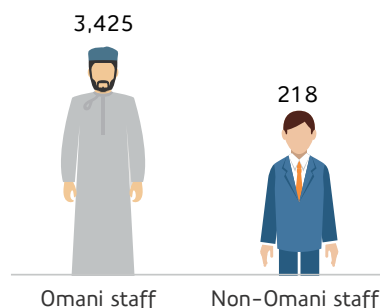
Omanisation

In alignment with Oman's 2020 vision, bank muscat is committed to the hiring and advancement of Omani nationals into leadership positions. In 2016, Omani nationals represented 94% of our total workforce and 68% of senior management.

Omanisation



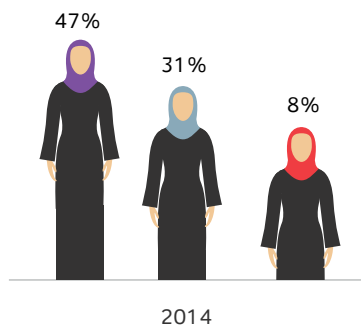
Omanisation 2016



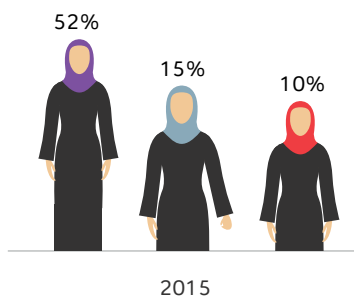
Female Employment

bank muscat seeks to recruit more women to our workforce as part of our women empowerment strategy. In 2016, women represented 58% of new hires and 48% of the total workforce. Since 2014, the proportion of women in middle management has risen from 31% to 45% and the proportion of women in senior management has risen from 8% to 12% - accomplishments we take great pride in.

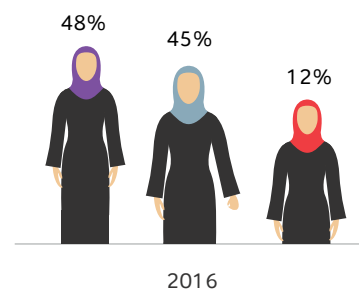
Female Employment



■ Female employment
■ Female employees in middle management
■ Female employees in senior management



■ Female employment
■ Female employees in middle management
■ Female employees in senior management



■ Female employment
■ Female employees in middle management
■ Female employees in senior management

TRAINING & DEVELOPMENT

Whether our employees' careers are beginning or coming to an end, bank muscat supports its employees during these transition periods, as well as throughout their employment at bank muscat. We are committed to providing them the best career advancement opportunities through customized training and development programmes, and all employees are eligible for annual performance and career development reviews. In 2016, the Learning and Development Centre was instrumental in organizing 697 employee training and education courses, amounting to 28,240 people-days of training in total.

Company-wide training	2016
Total number of training and education courses	697
Total days of training (people-days) offered to employees	28,240
Senior management employees	153
Middle management employees	13,132
Non-management employees	14,955
Male employees	13,497
Female employees	14,743
Total employees trained	22,921
Omani employees	22,012
non-Omani employees	909
Total cost of education and training programmes (RO)	1,375,160

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. Succession planning is also supported by our robust High Potential Development programme to attract the best Omani graduates throughout the country.

'Jadara'

As part of bank muscat's commitment to developing talented Omanis, the bank launched 'Jadara.' The multi-faceted programme aims to cultivate the managerial and leaderships skills of employees to encourage personal and professional growth, and will serve as the platform for all future human resources training and development programmes within the bank.

In 2016, bank muscat launched the Jadara Certified Branch Manager programme to equip branch managers with operational & risk management skills and a strategic perspective for sustainable branch success. The programme consists of 9 modules and extends to all branch managers. While under the Jadara Middle Management Development programme, in collaboration with Duke Corporate Education (USA), 40 employees successfully completed the first phase of the programme in 2016. The bank then launched the second phase of the programme, increasing the number of employees in the leadership pipeline to 42 employees.

The bank also launched the Jadara Graduate Development Program (JGDP) in 2016.

2016 Employee Education Highlights

- 3 senior executives participated in the General Management Programme (GMP) at Harvard Business School, USA.
- 1 senior executive participated in the Advanced Management Programme (AMP) at INSEAD, France.
- 120+ staff were enrolled in the Tatweer programme, organized in collaboration with Harvard Business Publishing, USA
- 17 credit relationship managers successfully completed the Omega Performance Credit Certification programme.
- 45 relationship managers and sales agents from Priority Banking and National Sales successfully completed the Professional Relationship Managers programme facilitated by Mercuri International, UK.
- As part of the annual workshops for the Board, a customized programme on Social Media & Cybersecurity was delivered by the Institute of Directors, UK.
- Launched of the ACI Dealing Certificate programme and Treasury e-learning programme

Employee Engagement

At bank muscat, we rely on several channels to grow and enhance relationships with our employees, as well as the types of services we provide. Employee engagement is an essential part of our stakeholder engagement, and a way for us to listen and learn from our employees. From our internal newsletter, Aloomna, and the bank muscat intranet, iShare, to the Toastmaster Club, we ensure that effective communication channels and interactive activities are available to our employees.

Retirement Planning

bank muscat supports all its employees in planning for retirement. The bank notifies employees due for retirement one year in advance to assist in preparing for their transition to retired life. As such, the bank has outlined policies to address specific requests during this time. The bank also aids employees in their search of employment, should they continue working elsewhere.

Retirement Plans	
Omani nationals	All Omani employees are covered under the Social Security Scheme of the Public Authority of Social Insurance (PASI) and governed by PASI laws. Benefits along with bank muscat and employee contributions are prescribed by PASI laws.
Expatriates	End of Service Benefits (ESOB) are provided to all expatriate staff. At the end of employment, one month basic salary for each year of service or as per the employee's contract is paid.

EMPOWERING COMMUNITIES

As the leading financial institution in the Sultanate, bank muscat delivers on its commitment to the nation and its people through developing innovative CSR programmes and supporting local businesses. Sustainability plays a vital role in the development of our core stakeholder engagement initiatives, activities and potential investment opportunities, to ensure lasting benefits and strengthened ties with the local community. Moreover, as we build a culture of 'doing more,' we encourage and support our employees to develop and implement their own programmes, as well as volunteer for the welfare of the community.

In 2016, the bank's CSR activities grew exponentially with the announcement of the Imprints national campaign not initiative. as the CSR umbrella to run alongside the more establish programmes. This has solidified the bank's strong ties with a wide range of entities, including the government, local NGOs, charities and large corporations..



IMPRINTS

Amidst the current economic and social conditions, Imprints is the bank's most ambitious CSR initiative and represents our eagerness to reach out to the communities we operate in a way like never before. Imprints has emerged as the umbrella eagerness under which all bank muscat's CSR programmes are operated, aimed at creating long-standing partnerships and value for our stakeholders.

On this past year's National Day, His Majesty Sultan Qaboos bin Said recalled what the country has given the people over the past forty-six years under his leadership. As such, the initiative represents a call for the country to unite and reciprocate, and marks a significant step forward in terms of public-private partnership development in Oman.

The Imprint initiative will be carried out in partnership with the Ministry of Education, the Ministry of Tourism, the Muscat Municipality and the Public Authority for Consumer Protection to deliver on the four key objectives of the initiative: instill financial literacy, promote sustainable tourism, protect the natural environment and enrich lifestyles. Through its pragmatic areas there is the concurrent theme to support the diversification of the economy, with a strong emphasis on cultivating a savings habit among Omani citizens.

Green Product

As part of its role to support the environment under Imprints, the bank will launch incentive packages, offering lower interest rates to encourage customers to build or upgrade to more energy efficient homes, as well as with options for alternative sources of energy in 2017.

Green Sports

Tapping into Omanis' passion for football, bank muscat launched its Green Sports programme in 2012. The programme brings together different generations around the goal of creating an active, sporting nation. Beneficiaries of the programme can develop their athletic abilities which otherwise may have remained a distant dream.

As its name indicates, there is an environmental element to the programme. The football teams have the option to choose one of the four following options for their field: natural or artificial turf, depending on the area, and desalination equipment or floodlights. To ensure the sustainability of the program, teams must ensure proper field maintenance, maintain financial records, and develop management structures that include board and team members.

In addition to the direct positive impact on the football teams, the local surrounding community benefits as well. The fields that bank muscat has supported also serve as important multifunctional meeting places for the community, offering venues to host events, celebrate, and build community cohesion in the process.

In 2016, the bank supported the construction of 15 football fields and opened registration for new teams. Since its inception, 63 teams have been formed and 23 fields have been inaugurated.

Jesr al Mustaqbal

Since 2012, the 'Jesr al Mustaqbal' (Bridge to Future) programme has been committed to providing Omani youth with opportunities to build a strong foundation for a better future through education. Following His Majesty Sultan Qaboos bin Said's directive, and established with the Ministry of Higher Education to ensure alignment with the country's 2020 vision, bank muscat invests in students from low-income families and those on social welfare to increase upward social mobility in the Sultanate.

For the 2015/16 academic year, 20 students were provided with scholarships to attend undergraduate programmes. Since its inception, the programme has benefitted over 250 students, helping them to attain the educational qualifications necessary to reach their career goals.

Tadhamun

Through its 'Tadhamun' programme, bank muscat for the past five years has extended support to low-income families and those on social welfare through the distribution of basic electronic appliances. In association with the Ministry of Social Development, Tadhamun has benefitted over 500 families across the Sultanate to date. bank employees contribute by volunteering to distribute air conditioners, refrigerators, deep freezers and cooking ranges directly to

families, establishing long-standing relationships with the beneficiaries of this core CSR programme. In 2016, bank employees mobilised funds and distributed 'Eidiyah' along with home appliances during the Holy Month of Ramadhan. The Tadamun programme underscores the bank's commitment to complement the government's efforts in social responsibility by improving the quality of life for underprivileged citizens.

Meethaq Islamic Banking

In 2017, as part of the Imprint programme, a Meethaq branch will begin using alternative energy sources. It will be the first energy efficient branch for the bank, and the pilot project is expected to pave way for more energy efficient initiatives within our branches in the near future.

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 market sector to the economy, bank muscat has leveraged its expertise in SME banking to promote learning and skill development among entrepreneurs through pioneering CSR programmes.

In 2016, bank muscat signed a Memorandum of Understanding with Zubair Small Enterprises Centre. As part of the agreement, the bank will provide financing to Zubair's customers, and Zubair will provide training to the bank's SME customers. Through the mutually beneficial arrangement, the bank has already experienced an increase in its SME customer base.

In addition to its core programmes, the bank also hosted the first franchise expo in Oman, the Malta delegation of businesswomen, and the first annual bank muscat Businesswomen Awards.

Irshad

In 2016, the bank launched 'Irshad,' a financial coaching clinic within the organisation. With decades of financial expertise, bank muscat's wealth of knowledge was tapped to create a platform in which the bank's management meets with local SMEs. Irshad seeks to empower Omani entrepreneurs with valuable information from experienced professionals for long-lasting benefits, thereby guiding them on their journey to optimal financial efficiency and sustainability.

al Wathbah Academy

The ground-breaking al Wathbah Academy was first launched in Muscat in 2014 to aid SME development across the Sultanate. The academy's main objective is to provide guidance for young entrepreneurs as they embark on successful business ventures. The customisable training programme lasts eight months and provides participants with valuable business administration skills. Due to the success of the programme, customised courses have also been created and implemented in the Al Batinah and Dhofar regions. The unique programme complements government efforts to strengthen the role of SMEs in Oman's economic development. In 2016, the bank enrolled 15 entrepreneurs for a new session at al Wathbah Academy in Muscat as the academy in Salalah and Sohar marked the graduation of their first classes. In total, the programme has benefitted 45 individuals during 2016.

al Wathbah SME TV

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 drive their businesses further. Accessible via the bank muscat website, Al Wathbah SME TV provides a common platform to educate and update SMEs on the latest rules, regulations, challenges and opportunities for SME business ventures.

Investment in Tourism

In 2016, in support of Oman's 2020 vision to support the diversification of the economy, the bank announced its commitment to invest in local communities residing in areas with touristic landmarks. In partnership with the Ministry of Tourism, bank muscat will seek to contribute to the sustainable development of rural areas by developing their tourism potential in 2017.

CASE STUDY

al wathbah souq

bank muscat al wathbah Souq has become a permanent fixture in the Ramadan calendar in Oman. Providing a platform for SMEs to showcase their products and services at the bank's Head Office, the SME Souk has become increasingly popular over the years due to its focus of promoting businesses free of charge.



The bank takes special interest in promoting registered SMEs in the exhibition open to the general public. Participating businesses range from online businesses operating on social media such as Instagram to more established businesses. For three days, visitors to al Wathbah Souq in Muscat are welcomed to sample the many offerings and spread word on unique SME businesses. The bank muscat communication channels are utilised in promoting the Souq.

FINANCIAL LITERACY

As the leading banking and financial services company in Oman, we have a social responsibility to promote and safeguard the financial security of the members of the greater Omani community. Paramount to this objective is empowering those members, by improving the level of financial literacy and education in the country. To achieve this goal, bank muscat operates several financial literacy programmes for people of all ages.

Personal Finance Certification

bank muscat is considered a market leader in understanding customer financial habits. Drawing from this core strength, a personal finance certification module is under development to provide citizens with the information they require to plan for their education, marriage and/or retirement. The financial literacy module will be initially available through an online portal or mobile friendly application, followed by a classroom session for those who complete the online portion and to obtain certificates. The module is scheduled to commence in 2017.

Little Investors

First launched in 2015, the Little Investor programme was developed by Meethaq Islamic Banking to develop children's knowledge of finance from an early age and equip them with the skills to become future entrepreneurs. The programme has now been further developed and expanded, in partnership with the Ministry of Education, to reach more students. The programme is integral to fulfilling the bank's responsibility towards empowering the community by providing them with the right tools to develop prudent saving and spending habits from a young age.

Financial Education Awareness Campaign

In 2016, bank muscat established a strategic partnership with the Public Authority for Consumer Protection. Together, the two entities launched a media campaign highlighting the benefits of savings, financial planning and identifying fraudulent communication. The campaign focused on responsible spending and proper financial planning for a secure future. The campaign also helped the public to make informed decisions when utilising online tools and electronic financial services.



CASE STUDY

Meethaq Launches Financial Planning Initiative

Meethaq started a financial planning awareness initiative in 2016. The initiative spread awareness on how to manage personal budgets and plan for future needs by improving decision making when confronted with purchasing decisions, placing an emphasis on the difference between basic and luxury items.

Meethaq organized two lectures delivered by experts covering personal financial planning and financial planning from a socio-Islamic perspective. The lectures were delivered by Shaikh Salim bin Salim Al Numani of Sultan Qaboos University and Mr. Ahmed Kashoob. The lectures were well-attended, including dignitaries, public and private sector representatives, and people of all ages, as well as some with impaired hearing.

Due to its success, bank muscat adopted it on a larger scale to raise financial planning literacy in the greater Omani community.





ENVIRONMENTAL INITIATIVES

As part of its wider CSR programmes, bank muscat seeks to support education on the importance of environmental protection. We see the richness of Oman's biodiversity as something to be preserved for future generations to come, and awareness is a key element in raising the population's environmental consciousness.

Green Space

In celebration of the 46th National Day, bank muscat announced the construction of a public park, in partnership with Muscat Municipality, as a gift to the nation. Aimed at providing citizens and residents 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. The park will feature alternative energy sources for lighting along with other environmentally friendly features.

Environmental Awareness Workshops

'Knowledge is Power,' and in 2017, bank muscat plans to organise workshops to raise awareness on alternative energy sources available in Oman. The workshops and campaign will focus on encouraging citizens to build energy efficient homes (or upgrade existing homes) by utilizing green technologies and other available resources in the country.

EMPLOYEE INITIATIVES

Under bank muscat's vision of 'Let's Do More,' the bank encourages employees to develop voluntary social activities for the benefit local communities in Muscat and throughout the Sultanate.

bank muscat Hearts

In 2016, the bank relaunched bank muscat hearts (BM Hearts), which is our employee initiative programme and an integral aspect of our wider CSR programme, aimed at building a strong culture around 'doing more' for others. BM Hearts is a unifying force among employees, bringing them together around developing initiatives and activities to involve the entire bank. Over the past year, key performance indicators were established; the chairman, secretary and communications chair were also nominated. In 2017, that we anticipate programmes will resume.

RESPONSIBLE BANKING

At bank muscat, we strive to operate with the highest ethical standards and integrity. Our signing of the Equator Principles almost ten-years ago, was testament to our desire to incorporate sustainable best practices into our lending activities by managing environmental and social risks. This same attitude is extended to all our customers. We strive to provide our customers with sound financial advice throughout all stages of their lives, so they are equipped to make the most informed decisions. Building lifelong relationships with customers requires trust, which is why we strive to bank responsibly. To ensure responsible lending, we have several guidelines in place when considering the provision of loans to customers. Supported by strong governance procedures, 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, thereby protecting our customers' interests in the long term.

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 market place and alleviate regulatory constraints through prudent and pro-active risk management in line with global best practices in risk management techniques."

In 2016, the bank updated the risk appetite framework to define risk capacity, risk appetite and risk limits. New parameters on credit risk, market risk, operational risk, reputational risk, strategic and business risk, and capital were introduced and cascaded to each business segment level. Considering these changes, the Risk Management department introduced a risk based pricing framework to price the credit facilities appropriately in line with the risk being taken by the bank.

The bank also developed a framework for measuring reputational risk. The framework incorporates various risk indicators to arrive at the reputational risk score for the bank. The framework helps the bank understand its strengths, weaknesses, evolving trends, and enables it to take pro-active measures to manage its reputational risk.

Equator Principles

Since 2007, the bank has been one of 88 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 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 and/or mitigated. 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

The bank continually endeavors to ensure effective Social & Environmental (S&E) 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 Social and Environmental Management System (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.

The Board approved the SEMS policy for all large corporate departments, requiring they ensure all projects/loans/investments are reviewed and evaluated against social and environmental requirements. The Environmental Manager will ensure that investment decisions are supported by appropriate documentation at the time of the customer's request for a loan, including a S&E screening checklist which is used as part of the loan review and disbursement process for companies falling in the major risk sector.

Protective Services

Internal Threat: To improve early warning of imminent threats, the bank focused on enhancing its security information and event management (SIEM) monitoring and implementing SIEM to applications in 2016. New testing was also introduced to identify and mitigate vulnerabilities in the information system.

Physical Threat: Routine checks of all branch and ATM security systems were conducted in 2016 to ensure that facilities remain protected.

Threat to Information: Information is a vital resource for the bank's operations, found throughout various systems, databases and physical files. More often than not, accidental or unintentional information loss occurs through internal channels. Therefore, it is critical to control and monitor information flow and exchange to ensure security of the bank's information. In 2016, the data loss prevention and gateway monitoring systems were upgraded to enhance security incident monitoring and response. In 2016, data security initiatives such as Database Access Control, data masking, and PCI application compliance were introduced.

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 2016, the HSE unit focused on arranging activities for health awareness, traffic safety and third-party compliance to HSE standards. The HSE unit also conducted the annual fire evacuation drill during the year.

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 prior customer consent or the Central bank of Oman's approval.

Meethaq Islamic Banking

A comprehensive technology-enabled is in place to assess each potential investment opportunity. Corporate Credit Manual, as approved by the Board, governs the overall credit policy for Meethaq Corporate, SME and Project Finance segments process and clearly defines the roles and responsibilities. All Credit proposals are processed as per Board approved matrix.

CASE STUDY

Workshop on Global Economies and Local Markets

In 2016, the bank organized a workshop in the Batinah region to provide insight into the dynamics of global and local markets. Leading corporate, business houses and entrepreneurs attended the workshop. The workshop shed light on key international events during the year and their impact on the capital markets with particular attention to Omani markets. Insights were shared on foreign exchange and interest rates which would help companies make the right hedging decisions..



FINANCIAL CRIME PREVENTION

The failure to identify, report and act on matters related to financial crime and money laundering is referred to as financial crime risk. This risk may lead to financial losses, penalties and loss of reputation.

Fraud and money laundering are the two most common crimes seen within the financial services sector. Accordingly, the bank has placed combating financial crime and associated compliance requirements high on its corporate agenda. This has led to policies, procedures and systems that proactively identify, alert, assess and monitor the risk of such events. The bank has a dedicated Money Laundering Reporting Officer who is supported by a fully qualified Anti-Money Laundering (AML) team. They utilize systems to monitor transactions on an on-going basis and report suspicious transactions to the competent authority. All the officers of the bank undergo continuous training on AML and must take a computer based 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 utilizes software to assist in identifying, recording and reporting fraud incidents. To achieve its objective of spreading awareness in the Sultanate, during 2016, the bank organised a two-day event along with Royal Oman Police on the area of financial crime prevention.

The Institute of International Finance (IIF)

The bank is a member of the IIF, a leading global association of financial institutions with close to 500 members from over 70 countries. The 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.



PRODUCT AWARENESS

In 2016 the bank launched a mobile application 'BM Offers,' showcasing new product promotions and developments. bank muscat offers its stakeholders a wide array of communication channels to make enquiries 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.

ENVIRONMENTAL PROTECTION

Our Environmental Footprint

As the flagship bank in Oman with the largest number of employees, we are conscious that our resource requirements impact the environment. bank muscat understands and takes responsibility for the impacts that our operations have on the planet, including the atmosphere and ecosystems. 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.

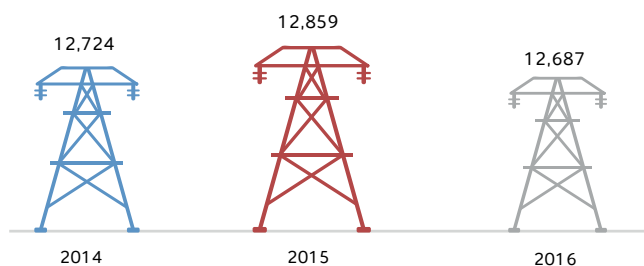
Energy Consumption and GHG Emissions

Global climate change is one of the most pressing challenges of our time, and its potential implications for our planet are profound and wide-ranging. We recognise that climate change may have long-term direct and indirect implications for our business, and understand that we must act to reduce our emissions. As a responsible bank, we have a role to play in ensuring we use the best possible mix of energy sources, improve the energy efficiency of our operations and reduce the potential climate impact through our lending practices.

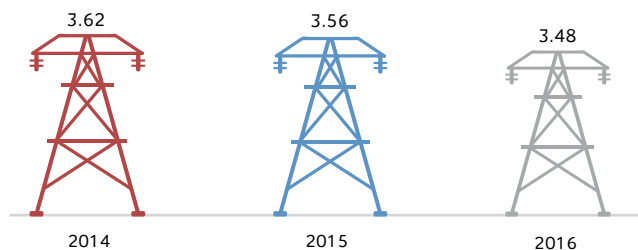
Our head office was designed using green building techniques and technologies and to inspire environmental stewardship among employees and customers. However, with a workforce of over 3,600 individuals, we consume a significant quantity of electricity to maintain our office operations and the well-being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

In 2016, our head office consumed 12,687 mWh of electricity purchased from the national grid, which amounts to an estimated 10,875 tonnes of indirect CO₂ equivalent (CO₂e) produced. bank muscat's indirect energy intensity was therefore 3.48 mWh per employee, and its Scope 2 GHG emission intensity was 2.99 tonnes CO₂e per employee. Indirect energy emissions decreased in by 2% in 2016, and have decreased by a total of 4% since 2014.

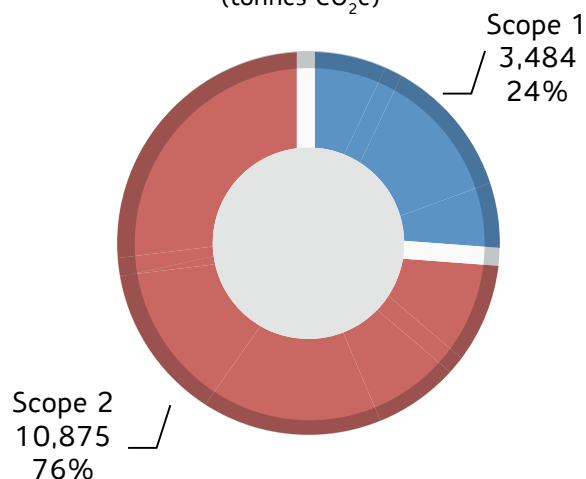
Building Electricity Consumption (mWh)



Total Electricity Consumption Per Employee (mWh)



2016 GHG Emissions (tonnes CO₂e)



The bank also consumes a significant amount of fuel support of the travel of employees, and to a much lesser extent to test the head office's back-up generators on an annual basis. In 2016, bank muscat's direct or Scope 1 emissions amounted to 3,484 tonnes CO₂e produced. Over 99% of these fuel emissions emanate from the bank's vehicle fleet.

Total emissions for 2016 amounted to an estimated 14,359 tonnes CO₂e produced, and the bank's GHG intensity was 3.95 tonnes CO₂e/employee.

CASE STUDY



Meethaq introduces paperless banking

In 2016, the bank launched internet banking to migrate customers towards self-service channels for enquires and transactions in an effort to become paperless, in order to improve its environmental performance while opening new banking channels for its customers.

The bank is actively migrating customers to the new online platform and encouraging them to download PDF and Excel format statements to reduce paper consumption. Over 1,000 retail and corporate customers have already migrated away from paper based services.

In 2017, with the upgraded internet banking system, more services will be added; and over the next three to four years, the bank plans to migrate 50% of its customer base and 80% of all transactions to electronic media, reducing our impact on virgin forest resources.

APPENDICES

A. Report Parameters and GRI Content Index

B. Stakeholder Priorities and Engagement

APPENDIX A:

Report Parameters and GRI G4 Content Index

Aspect Boundaries

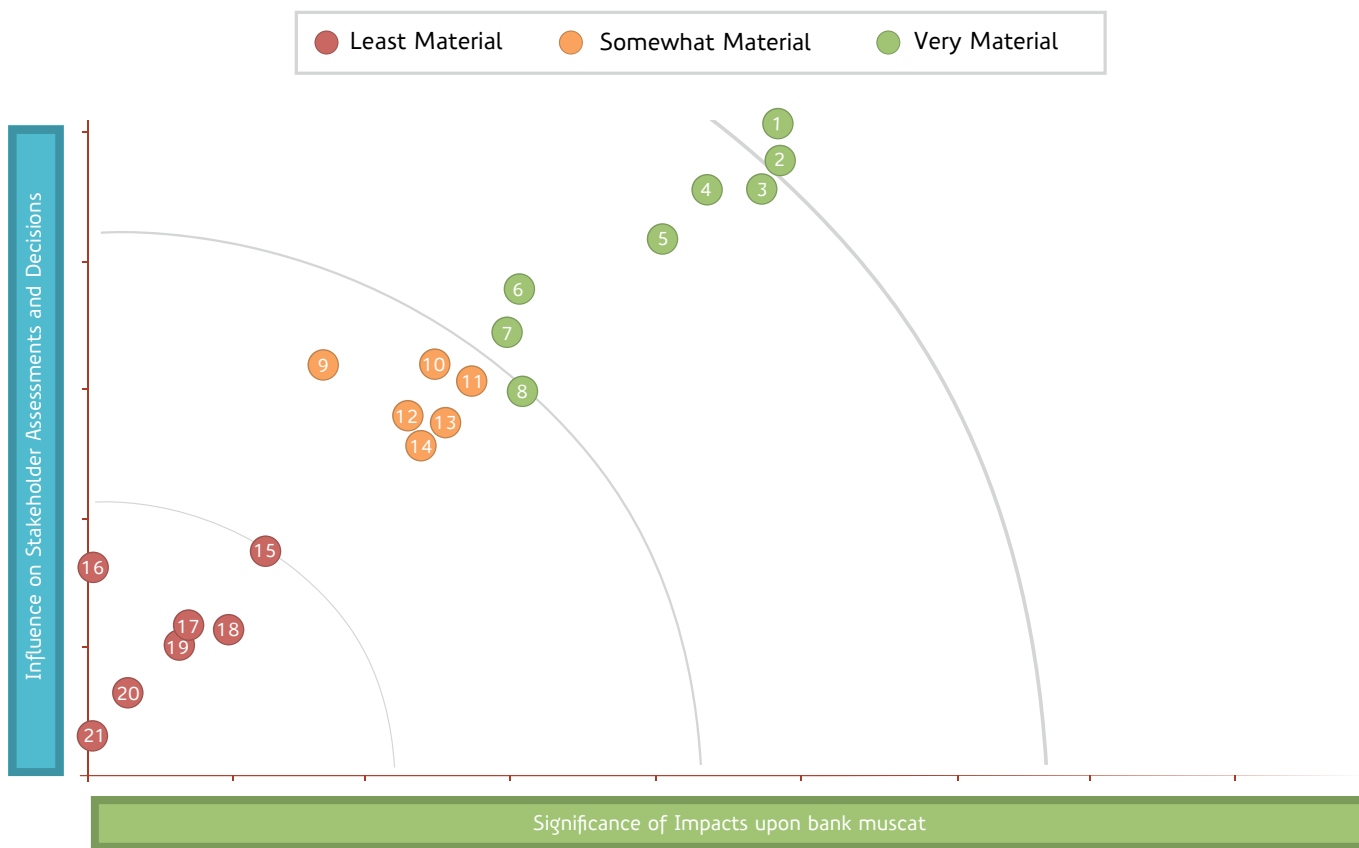
bank muscat has presented relevant information available at the time of production of this report. For the purposes of this report, we present relevant performance for bank muscat's Oman operations only. In the future, we aim to expand the scope of our reporting to further include stakeholders and supply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

[G4-18, G4-20, G4-21]

Materiality Process

The content of our report is defined by our materiality assessment, which is presented on page 15 and 46. We used a four-step process in determining our materiality assessment: 1) identification of relevant topics 2) prioritization of topics against stakeholder and company influence and impacts 3) validation of prioritization and identification through review and evaluation 4) review of context on annual basis. Our materiality assessment is based on the GRI G4 Guidelines for sustainability reporting.

2016 BANK MUSCAT MATERIALITY MATRIX



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

[G4-19]

GENERAL STANDARD DISCLOSURES		
General Standard Disclosures	Page Number	External Assurance
STRATEGY AND ANALYSIS		
G4-1	7	Not Assured
ORGANIZATIONAL PROFILE		
G4-3	10	Not Assured
G4-4	17	Not Assured
G4-5	Muscat, Oman	Not Assured
G4-6	10	Not Assured
G4-7	10	Not Assured
G4-8	10, 17	Not Assured
G4-9	10, 11, 17, 25	Not Assured
G4-10	30	Not Assured
G4-11	bank muscat staff are not part of a union	Not Assured
G4-12	24	Not Assured
G4-13	No significant changes	Not Assured
G4-14	40-43	Not Assured
G4-15	40	Not Assured
G4-16	43	Not Assured
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	8, 10	Not Assured
G4-18	8, 15, 45	Not Assured
G4-19	46	Not Assured
G4-20	45	Not Assured
G4-21	45	Not Assured
G4-22	No restatements have been made	Not Assured
G4-23	No significant changes	Not Assured
STAKEHOLDER ENGAGEMENT		
G4-24	49, 50	Not Assured
G4-25	15	Not Assured
G4-26	49, 50	Not Assured
G4-27	49, 50	Not Assured
REPORT PROFILE		
G4-28	January 1 – December 31, 2016	Not Assured
G4-29	bank muscat 2015 Sustainability Report was published in July 2016	Not Assured
G4-30	Annual	Not Assured
G4-31	Back cover	Not Assured
G4-32	'In accordance' – option Core	Not Assured
G4-33	This report was not checked by a third party	Not Assured
GOVERNANCE		
G4-34	19, 20	Not Assured
ETHICS AND INTEGRITY		
G4-56	16, 19	Not Assured

GRI G4 CONTENT INDEX (continued)

SPECIFIC STANDARD DISCLOSURES			
DMA and Indicators	Page Number	Omissions	External Assurance
CATEGORY: ECONOMIC			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4- DMA	23		Not Assured
G4-EC1	24		bank muscat SAOG, Consolidated Financial Statements for the Year Ended 31 December 2016 (http://www.bankmuscat.com/en-us/InvestorRelation/fi/AnnualReports/bank%20Muscat%20EFS%2026%20Feb%2012pm%20.pdf)
MATERIAL ASPECT: MARKET PRESENCE			
G4-DMA	29, 30		Not Assured
G4-EC6	30		Not Assured
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	23, 33		Not Assured
G4-EC8	27, 28, 35-38		Not Assured
MATERIAL ASPECT: PROCUREMENT PRACTICES			
G4-DMA	28		Not Assured
G4-EC9	28		Not Assured
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT: ENERGY			
G4-DMA	43		Not Assured
G4-EN3	43, 44		Not Assured
G4-EN5	43, 44		Not Assured
MATERIAL ASPECT: EMISSIONS			
G4-DMA	43		Not Assured
G4-EN15	43, 44		Not Assured
G4-EN16	43, 44		Not Assured
G4-EN18	43, 44		
MATERIAL ASPECT: PRODUCTS AND SERVICES			
G4-DMA	40, 41		Not Assured
G4-EN27	40, 41		Not Assured
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-DMA	29, 31		Not Assured
G4-LA2	32; Benefits provided to full-time employees, include health insurance, annual bonus and a savings plan.		Not Assured
MATERIAL ASPECT: TRAINING AND EDUCATION			
G4-DMA	29, 31		Not Assured
G4-LA10	31, 32		Not Assured
G4-LA11	31		Not Assured
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	29, 31		Not Assured
G4-LA12	30		Not Assured
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-DMA	33, 35, 37		Not Assured
G4-SO1	34-38		Not Assured
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING			
G4-DMA	26		Not Assured
G4-PR5	26		Not Assured
MATERIAL ASPECT: CUSTOMER PRIVACY			
G4-DMA	40		Not Assured
G4-PR8	41		Not Assured
MATERIAL ASPECT: ACTIVE OWNERSHIP			
G4-DMA	40, 41		Not Assured
G4-FS11	40, 41		Not Assured

APPENDIX B: Stakeholder Priorities and Engagement

Stakeholder Group	How bank muscat engages with this stakeholder group	Priority Sustainability Concerns	bank muscat's Actions
Employees (3,643 total)	<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 organisational 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 programmes 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.
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

[G4-24, G4-26, G4-27]

Stakeholder Priorities and Engagement (continued)

Stakeholder Group	How bank muscat engages with this stakeholder group	Priority Sustainability Concerns	bank muscat's Actions
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 (e.g. JP Morgan Chase)
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 Conferences • 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.

[G4-24, G4-26, G4-27]

let's do more

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