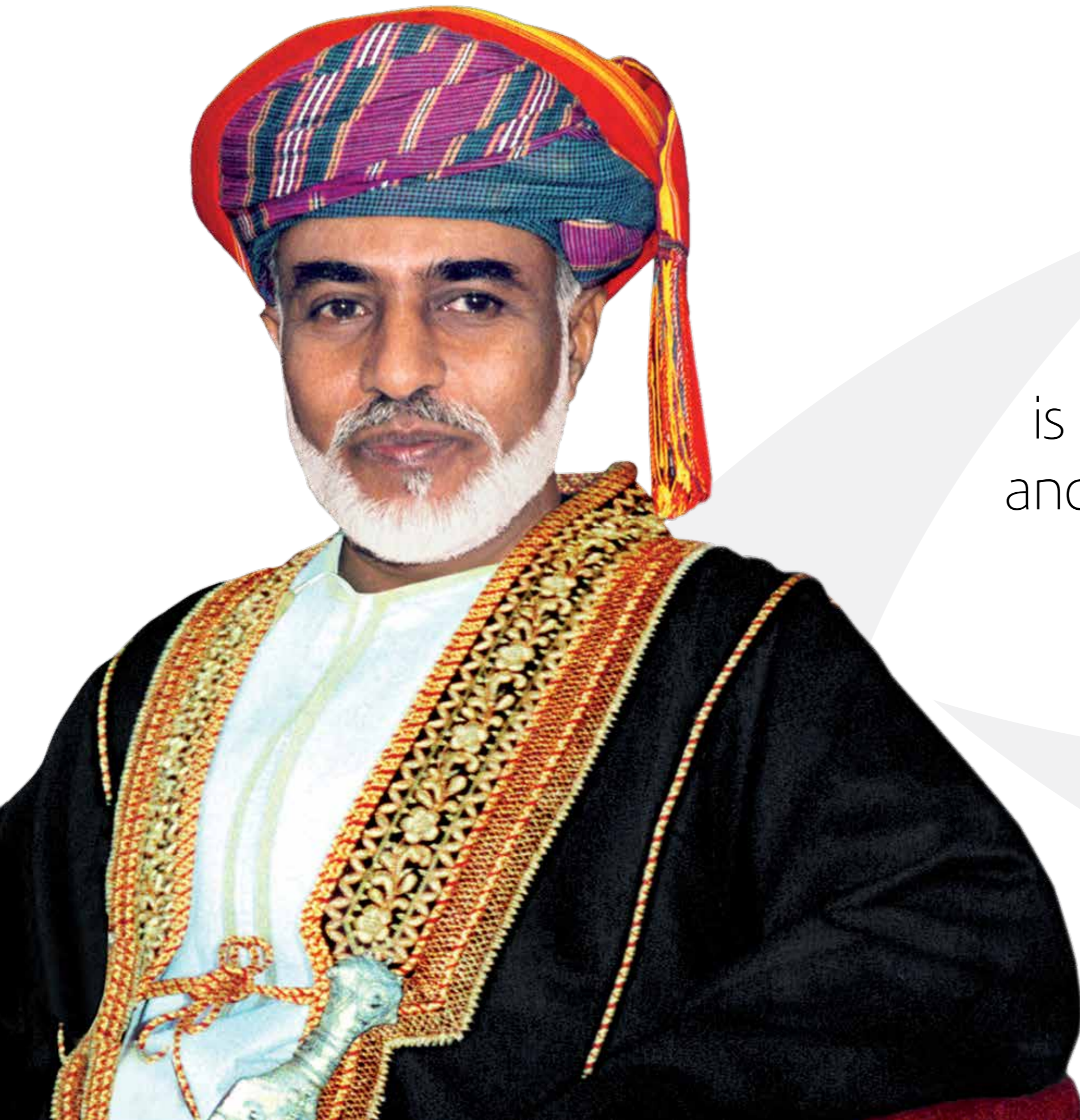


NURTURING TODAY FOR A BETTER TOMORROW.



The background features three overlapping, curved grey bands that sweep across the page. These bands are decorated with a pattern of colorful, semi-transparent bokeh circles in shades of orange, yellow, red, blue, and green. The overall aesthetic is modern and dynamic.

SUSTAINABILITY REPORT **2014**



“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

Sustainability Report 2014



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MESSAGE FROM OUR CHIEF EXECUTIVE

bank muscat is proud to present the 2014 Sustainability Report highlighting the impact of its activities on the economy, environment and society. This year we have advanced our approach to use the new GRI G4 Sustainability Reporting Guidelines, and have successfully completed the GRI Materiality Disclosure Service. This demonstrates our commitment to sustainability reporting as a powerful tool for our business processes and strategy.

We recognise that sustainable development is the key to achieving long-term benefits spanning environmental, economic, social and cultural dimensions within a sustainability framework. The bank is focused on achieving long-term profitability with social and environmental responsibility.

As the flagship bank in Oman, the objective of our Vision, Values and Strategy is to define the way we think, work and act to ensure that we deliver on our commitment to help people achieve their goals and aspirations as well as serve the communities we operate in. Our **Vision, Values and Strategy** offer us the direction and clarity on who we are, where we are, where we want to be, and how we can get there.

The Vision and Values provide us the vital link and sense of connection that **'We are part of something bigger – we are part of bank muscat'**. By living the Vision and Values in our day-to-day activities, we partner in the bank's continued pursuit of leadership in banking excellence benefiting the economy, society and environment.

Recognising the socio-economic reality of Oman and in a bid to boost employment, the bank in 2014 enhanced support for the Small and Medium Enterprise (SME) segment, widening the reach to micro and small businesses. The bank aims to meet the intended objectives in a sustainable manner and there are many such initiatives on the anvil to complement the development and social agenda of the country.

bank muscat is committed to 'Doing More' for the economy, community and environment. The four priority areas chosen by the bank for sustainability reporting are 'Enhancing Economic Performance; Developing from Within; Empowering Communities; and Recognising our Environmental Impact'.

On the back of expansionary financial, economic and monetary policies pursued by the Sultanate, the bank recorded a strong performance which had considerable

social impact and in-country value addition covering all major sectors. In step with the directive of His Majesty Sultan Qaboos bin Said to support economic growth and sustainable development, the bank remains committed to building the nation by creating opportunities to help individuals and businesses to prosper and grow.

bank muscat is proud to contribute to sustainable development in Oman. In 2007, we became the first bank in the Middle East to sign the Equator Principles for responsible banking. Implementing the Equator Principles ensures that our projects conform to benchmark international environmental and social standards. In 2009, we joined the United Nations initiative for innovating finance for sustainability. Our membership of the United Nations Environment Program Finance Initiative (UNEP FI) aims to develop and promote linkages between sustainability and financial performance, reinforcing the bank's commitment to global sustainability.

The bank has made significant progress in its efforts to reduce its environmental impact. This includes e-banking and mobile banking services to reduce environmental footprint and enhance customer service. In contributing to sustainable development, the prime responsibility of the bank is to serve the customer.

bank muscat demonstrates a high level of commitment towards its people. The bank accords top priority for human resources development and has adopted innovative strategies to equip Omani employees to take up leadership positions in anticipation of future opportunities.

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 a sustainability market leader, **bank muscat** sets the precedent and as we develop initiatives, we are confident our efforts will positively impact the environment in Oman.

AbdulRazak Ali Issa
Chief Executive

ABOUT THIS REPORT



This is our third 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 1 January 2014 to 31 December 2014, 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
- Recognizing our Environmental Impact

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 has a proven track record of excellence in service and enjoys around 40 percent market share in Oman. The bank's head office is in Muscat, Oman and we have an extensive network of branches throughout the country. The bank operates in Oman under a banking license issued by the Central Bank of Oman and depositors are protected by its deposit insurance scheme. As a listed Omani

joint stock company, our primary listing is on Muscat Securities Market in addition to listing on the Bahrain, London and Luxembourg stock exchanges. Our international operations consist of a branch each in Riyadh (Kingdom of Saudi Arabia), Kuwait and Representative Offices in Dubai (UAE) and Singapore. The bank also has a 97% stake in Muscat Capital LLC, a brokerage and investment banking entity in Saudi Arabia.



The bank offers a wide range of core business services, including corporate banking, retail banking, Islamic banking, investment banking, treasury, asset management, and private banking.

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)

bank muscat through its Islamic window, is well positioned to provide Islamic financial expertise to diverse segments, 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 and 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 personalized.

Treasury

bank muscat is the only bank in the Sultanate that offers the full 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 the United States, Europe, Asia, Africa and other emerging markets.

About Us	
Branches	133 branches in Oman
ATMs	435
CDMs	166
Full Function Machines	4
PoS Terminals	12,000
Meethaq	
Branches	12
ATMs	12
CDMs	6

The shareholding structure of the bank is as follows:

Major Shareholders	%
Royal Court Affairs	23.58
Dubai Financial Group "LLC"	12.33
HSBC A/C Ministry of Defense Pension Fund	6.48
Civil Service Employees Pension Fund	4.19
Muscat Overseas Company "LLC"	4.03
HSBC A/C JPMCB A/C IFC capitalization equity fund LP	3.01
Public Authority for Social Insurance	2.24
HSBC A/C CITIBK A/C International Finance Corporation	2.20
Royal Oman Police Pension Fund	1.89
Others	40.05

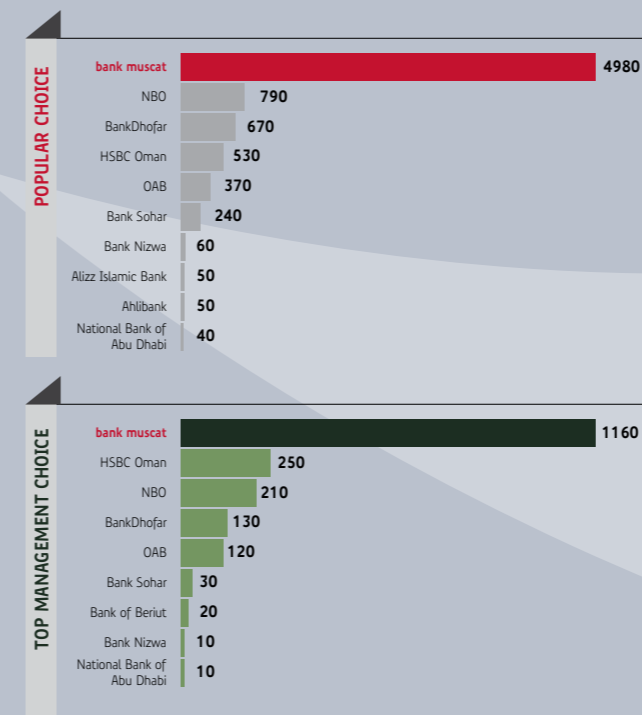
OUR QUALITY POLICY



Our Quality Policy 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, take feedback from employees and our 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 association. Additionally 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.

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 we successfully implement our government objectives which has assisted us in maintaining the pre-eminent position as the leading financial institution in the Sultanate of Oman.

In this regards, **bank muscat** is far ahead of its competitors in terms of brand value. The bank came in first in Business Today's Best Brand Survey 2014*, for both the "Top Management Choice" and "Popular Choice".



* Source: Business Today, issue 194, January 2015.

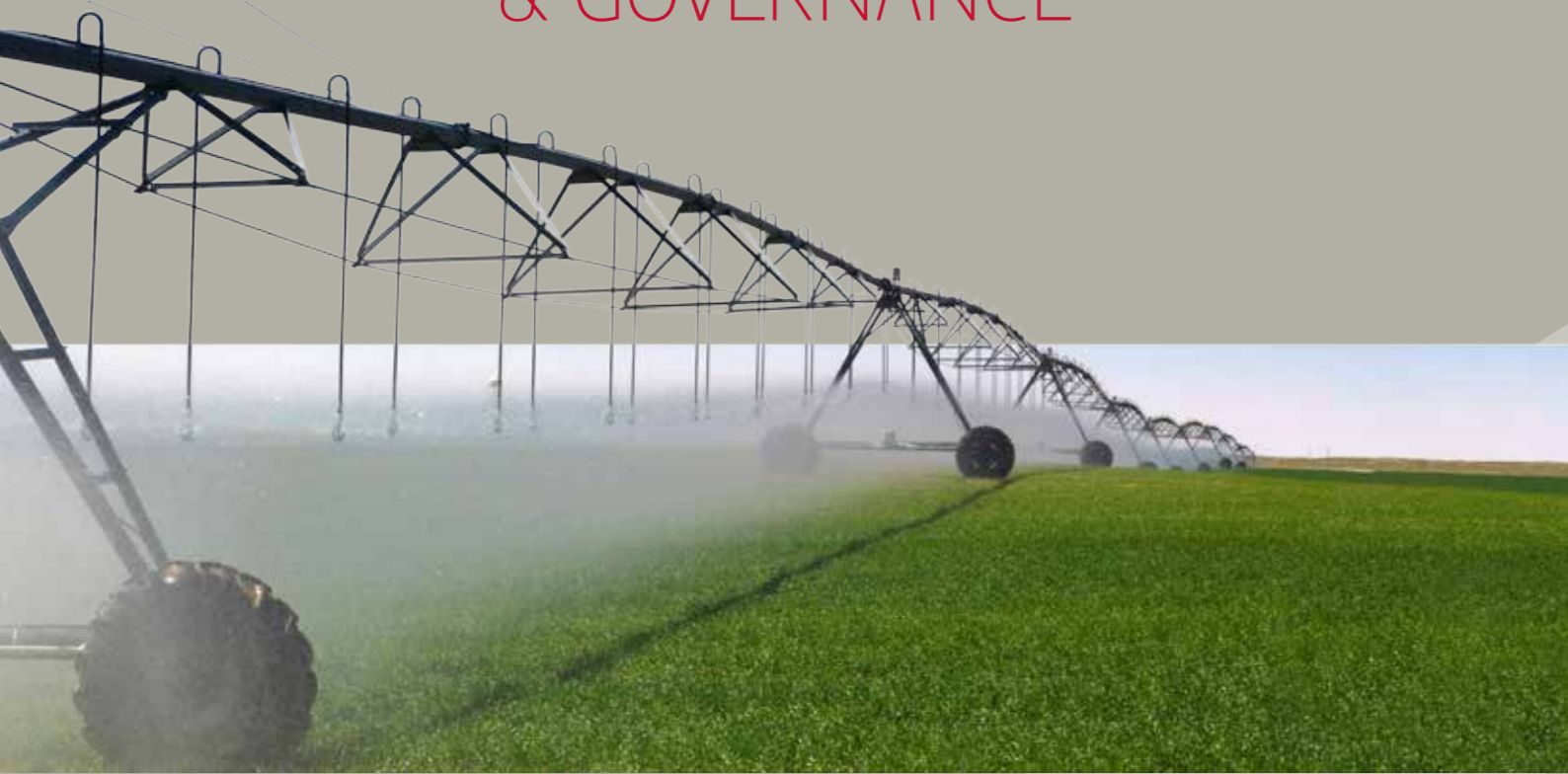
Sustainability at **bank muscat**

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 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 towards this development by working closely with local communities and implementing programs to benefit society.

MANAGEMENT & 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.

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 at the head of the bank 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 organizational 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 Chief Executive and the Chief Operating Officer, as well as appointment of the officers answering to either of them pursuant to the organizational 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.

Remuneration to the Board

The total remuneration and sitting fees paid/acrued to members of the Board of Directors for the year 2014 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.

Shareholders

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 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

In 2010, the Board conducted a self evaluation process through the completion of questionnaires for the Board of Directors and the Board Audit Committee. These were completed as part of a wider CBO exercise for all banks in the Sultanate. Each member of the Board was invited to measure the performance of Board activities in the areas of strategy and planning, risk management, tone at the top, measure and monitoring, performance, transformational transactions, management evaluation, compensation and planning, disclosures, and board dynamics. 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. All recommendations by Ernst & Young have subsequently been implemented by the bank.

MEMBERS OF THE BOARD



**Ahmed Mohamed
Aqil Alqassim**
Director

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

**Hamoud bin Ibrahim
Soomar Al Zadjali**
Director

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

**Sheikh Khalid bin
Mustahail Al Mashani**
Chairman

**Brigadier General Nasser
Mohamed Salim Al Harthy**
Director

K.K. Abdul Razak
Director

Farida Khambata
Director

**Sheikh Saud bin
Mustahail Al Mashani**
Director

In 2014, we continued to make great strides towards enhancing our economic 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.

- **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 from 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)

OUR VISION, VALUES, STRATEGIC PILLARS



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.

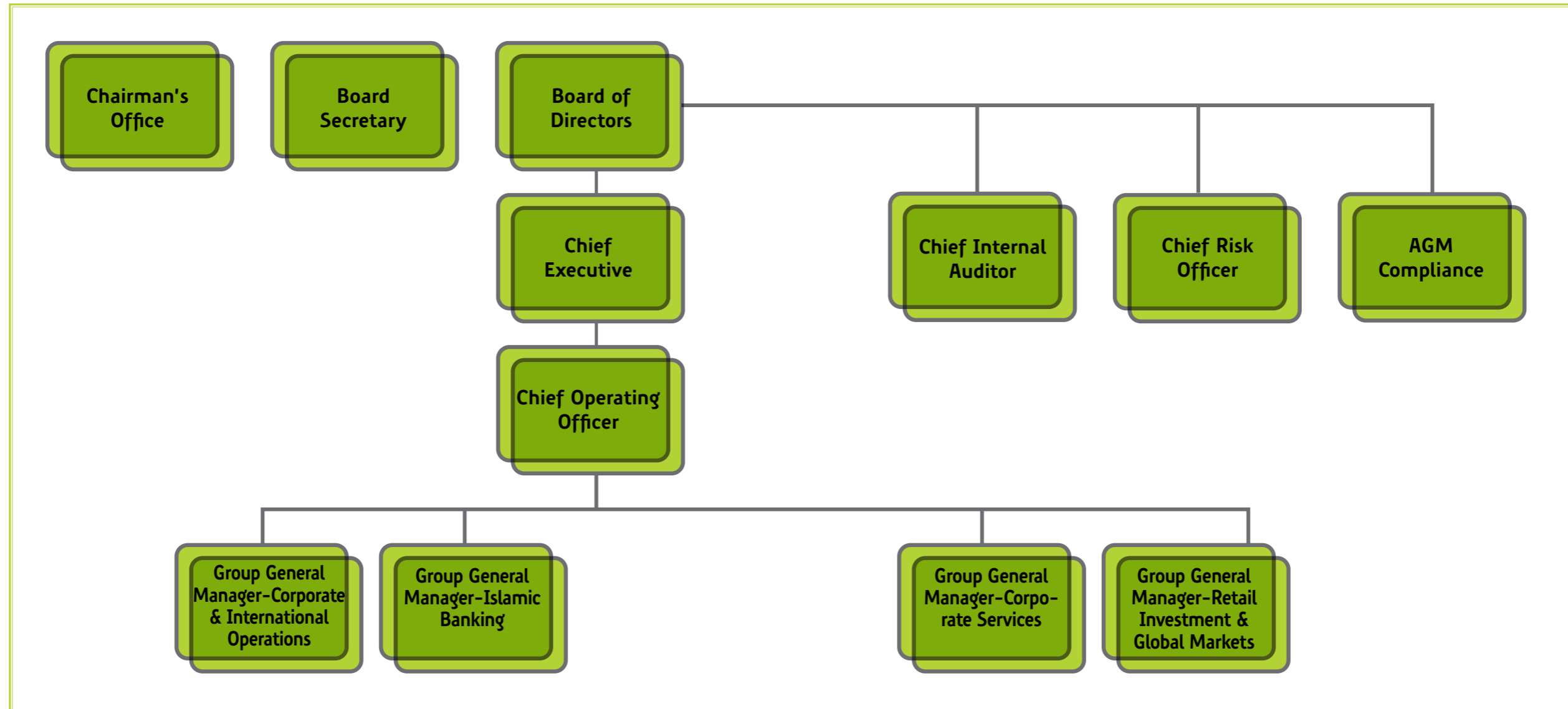
The objective of our Vision, Values and Strategic Pillars is to define the way we think, work and act as an organisation to ensure that we deliver against our commitment of helping people to achieve their goals and aspirations.

- **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 & Risk; Blue Ocean Strategy; People; Technology; Infrastructure & 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.



Organization Structure



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

1. 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.

2. 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.

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.
- 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 matriculated 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.

ENHANCING ECONOMIC PERFORMANCE



Introduction

As a market leader, the bank plays an important role in the financial sector's contribution to Oman's GDP. The most prominent impact the bank makes to the economy, the environment and society is through innovative and responsible banking which creates value for all stakeholders, including shareholders, employees, suppliers and the government.

The bank has set high standards of integrity, professionalism and fair dealing in running business, complying with all relevant laws and standards of good market practice in each country where we do business. All new conventional banking products are introduced with approval from the Capital Market Authority, and Islamic products with Shari'a compliance.

bank muscat: Past, Present and Future

2013	2014	2015
<ul style="list-style-type: none"> • Commitment to responsible banking by training employees and maintaining compliance with the Capital Market Authority (CMA) laws. • Implementation of social and environmental management system. • Effective redressal of customer concerns through Integrated Feedback Management System 	<ul style="list-style-type: none"> • Continuous development of risk management as an area of core competence to deliver on growth plans. • Enhancement of customer feedback system for timely resolution of complaints within the SLA timeframe. 	<ul style="list-style-type: none"> • Support to diversification of the economy as outlined in His Majesty's Vision 2020 economic blueprint for Oman.

Najahi reaches out to small businesses

The bank, as part of its commitment to encouraging entrepreneurial initiatives, launched Najahi, targeted at micro and small businesses. Offering a major boost for start-up and small businesses in Oman, Najahi complements the government efforts in encouraging Omani youth to embark on entrepreneurial pursuits, thereby making vital contributions to the economy. The innovative non-collateral product line-up introduced by the bank is a boost for enterprising small businesses in Oman.

In the Oman market, there are thousands of business customers who do not have access to formal credit facility. These customers are classified as micro and small business enterprises. Najahi reaches out to this segment of customers.

The specially designed suite of Najahi products include non-collateral credit facilities for the small business segment to develop their business. With Najahi, **bank muscat** fulfills the primary need of the small business segment.

Over the past years, **bank muscat** has launched a series of initiatives to strengthen the SME sector in Oman. Serving as building blocks for entrepreneurs, these initiatives assume importance in the backdrop of the priority accorded by the government to develop the SME sector in Oman.

al Wathbah Academy offers accredited SME training

The bank unveiled a major initiative for training entrepreneurs in Oman, leading to accredited international certification. The academy marks a clear progression of the well defined strategy pursued by the bank in line with the directives of His Majesty Sultan Qaboos bin Said to support the SME sector and strengthen its role in the economic development of Oman.

The main objective of al Wathbah Academy is to impart the required skills and guidance for entrepreneurs drawn from diverse fields to identify growth opportunities and tackle challenges in developing their SME business ventures. The 8-months training programme is offered in association with Amideast, leading to accredited international certification by the Project Management Institute (PMI). Simultaneously, the training is also customised to equip bank employees to qualify as SME advisors.

MoU to finance SEZAD projects

The Special Economic Zone Authority at Duqm (SEZAD) and the bank signed a Memorandum of Understanding (MoU) to facilitate finance required for companies and enterprises to set up ventures at SEZAD. The MoU stipulates the bank and its Islamic banking window Meethaq to facilitate access of required funding for companies and enterprises that wish to set up their ventures at SEZAD. The MoU is part of the efforts to encourage the private sector to invest in the Special Economic Zone at Duqm, facilitating finance for investors, including the SME sector.

Risk Management

The bank considers risk management as a function of core competence and implements global best practices in managing the same. The bank ensures maintenance of risk at appropriate levels and is well positioned for optimal growth. The bank's long-term growth rests in achieving a sustainable and consistent return on equity and profit growth so that it can continue to reward stakeholders. With this objective in consideration, the bank defines its business strategy and prioritises growth areas.

To further its efforts in appropriate risk awareness across the organisation, the Board of Directors approved a risk appetite framework that defines the enterprise-wide risk capacity, risk appetite and risk thresholds which are

cascaded "top-down" to reflect in various business units. This enables the business units to manage product pricing in line with the corporate "Return-on-equity" objective as well as within the Board-approved risk appetite.

The year 2014 marked another volatile year in the financial markets and the bank maintained an appropriate risk profile by reducing exposure to the most likely areas of stress. To further its efforts in migrating to the advanced measurement approaches for credit (Advanced Internal Ratings Based Approach) and market risks (Internal Models Method), the bank successfully completed implementation of risk measurement tools. The AIRB model helps in the measurement of Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), and Expected Loss (EL) which help the bank in the maintenance of adequate general loan loss provision and also measure the capital required for credit risk under the AIRB approach. Similarly, the IMM model helps the bank in the measurement of bank-wide market risk Value-at-Risk (VaR) and Stressed Value-at-Risk (SVaR) resulting in effective risk oversight as well as determine the capital requirement for market risk portfolio.

The bank views cyber threats as a crucial area for risk management. Appropriate systems are in place to tackle this threat. The bank has initiated a Minimum Security Baseline for all transactional channels, a "table top" exercise to ascertain the bank's preparedness to meet any cyber threat, undertake periodic internal and external security assessments, upgrade all security devices and benchmark the bank with global best standards like ISO, SANS Institute and Card Payment Industry frameworks to remain abreast of the latest in cyber threats.

Equator Principles

Since 2007, the bank has been one of the 79 signatories to the Equator Principles. We have adopted the Equator Principles in order 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 us, our clients and stakeholders.

The Equator Principles were launched in 2003 and on June 4, 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 tenure of less than 2 years that are intended 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, the bank as part of its internal environmental and social review and due diligence, screens and categorises it based on the

environmental and social categorisation process of the International Finance Corporation (IFC).

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	---	---

Social and Environmental Management System

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 currency 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.

During the year, the SEMS policy was extended to cover all lending and investment activities.

In 2012, we introduced the Sustainability Training and E-learning Program (STEP) developed by IFC for training on sustainability related risks associated with projects. With the introduction of SEMS policy for the entire lending activity, all Assistant Regional Managers and Unit heads from Project Finance, Corporate Credit and Marketing and SME divisions and risk officers underwent this certification programme.

The Account Relationship Managers will be the coordinators responsible for the following:

- During due diligence, ensure evaluation of environmental and social compliance of a target client with the Applicable Requirements.
- Supervising projects in the portfolio against on-going compliance with the Applicable Requirements.
- Ensure that these procedures are implemented for

each project, and that records of environmental and social reviews are maintained.

- Ensure that all lending and investment decisions are supported by appropriate due diligence documentation (including, but not limited to environmental and social compliance).

The Environmental Manager, who reports to the Chief Risk Officer, will be responsible for the following:

- Monitor the process of implementation and ensure compliance with the procedures outlined in the policy.
- Provide an annual environmental performance update to Management Credit Committee
- Ensure that resources are available at all times to carry out the review process.

The Environmental Coordinators will ensure that the policy procedures are implemented for each project and that records of environmental reviews are maintained. The Environmental Manager will ensure that all lending and investment decisions are supported by appropriate documentation, including Social & Environment Screening checklist, which will be extensively used as part of the loan review and disbursement process.

Asian bankers conference

Over 100 leading bankers and banking regulators from around the Asia-Pacific region converged in Oman to attend the 31st Asian Bankers Association (ABA) general meeting and conference hosted by the bank. The prestigious Asia-Pacific banking conference on the theme 'Asian Banks: Reinventing the Modern-Day Silk Route' assumed added significance as the annual conference was being held for the first time in the Middle East region. The conference served as a unique opportunity for the association and its members to share with bankers from the region the investment and business opportunities offered by Oman and the Middle East region as a whole.

The Asia-Pacific region is witnessing significant economic developments. As the real engines of growth and development in each country, Asia-Pacific banks play a strategic role in supporting development and promoting stability in respective communities and societies. The ABA general meeting and conference provided an ideal platform to strengthen and expand relations among banking and financial institutions in Asia-Pacific countries and beyond.

Conference on financial crimes

A conference on financial crimes hosted by the bank in collaboration with the Royal Oman Police (ROP) focused on spreading awareness on alarming trends in financial crimes such as electronic crimes and money laundering and the widespread usage of forged credit cards globally. The initiative came as part of efforts aimed at complementing efforts by the government and the Central Bank of Oman (CBO) in spreading awareness on financial crimes through proper coordination among different government and private sectors establishments. The conference highlighted the importance of cooperation and coordination between the ROP, the CBO and financial institutions to address such issues.

Seminar by Dr. Marc Faber

The bank hosted Dr. Marc Faber, renowned economist and investment analyst, who shared his insights on the state of world economy and financial markets at a series of seminars attended by high profile dignitaries from the government and top corporate clients. The initiative came as part of efforts by the bank aimed at equipping valuable partners with the necessary insights on world economy and financial markets.

Safest bank in Oman, emerging markets

The bank won two prestigious global accolades to be ranked the safest bank in Oman as well as among the 50 safest banks in emerging markets. Over the years,

bank muscat has consistently maintained the rankings as the safest bank in Oman and among the 50 Safest Banks in Emerging Markets by Global Finance. The Annual World's Safest Banks ranking is a recognised standard of creditworthiness for the financial world. The safest bank ranking consistently conferred on **bank muscat** is a clear testimony to its exceptional performance as well as the trust and confidence reposed in the bank by customers, investors and all stakeholders.

Forbes Top 500 in Arab World

The bank topped 38 Omani companies ranked in the Forbes Top 500 Companies in the Arab World 2014. With its 41st ranking, **bank muscat** topped Omani companies on the Forbes list, way ahead of the second Omani company, which was ranked 84th.

Valuing our Customers' Needs

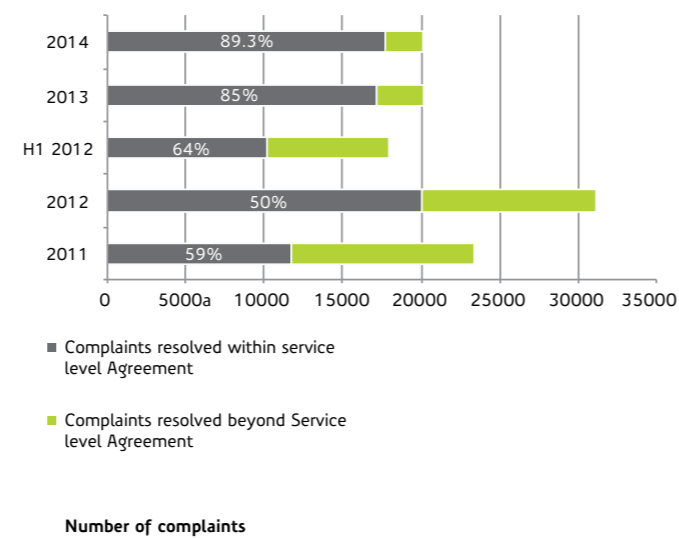
Our dedicated Customer Services and Quality department obtains regular feedback from customers which helps the bank understand customer expectations, requirements, service quality and identify potential product and service enhancements.

Customer feedback is primarily sourced through the Call Centre, the bank's website, customer service email group, branches, head office and Customer Focus Group meetings. Several programmes are in place, including Customer Focus Group meetings, Mystery Shopper Programme and Feedback Management System to effectively deal with customer feedback. In addition, the Quality Team conducts annual quality audits as per the International Organization for Standardization (ISO) standards.

To enhance products and service, the Mystery Shopper Programme is conducted in all branches throughout the year. The quarterly results of this programme are used to improve customer service strategies.

Oman Islamic finance report

Meethaq Islamic Banking, in a strategic partnership with Thomson Reuters, the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank, and the General Council for Islamic Banks and Financial Institutions (CIBAFI), launched the Oman Islamic Finance Report 2015 during the 10th World Islamic Economic Forum in Dubai. The Islamic Finance Country Report (IFCR) on Oman highlighted that Islamic banking assets in Oman stood at \$2.8 billion in June 2014, or 4.4% of total banking assets, since the launch of Islamic finance less than two years ago in January 2013. The growth was expected to continue and Islamic banking assets were projected to grow to between \$5 billion to \$7 billion by 2018. The growth will be driven by a combination of enabling environment fostered by regulators and a young, Shari'a-sensitive population.



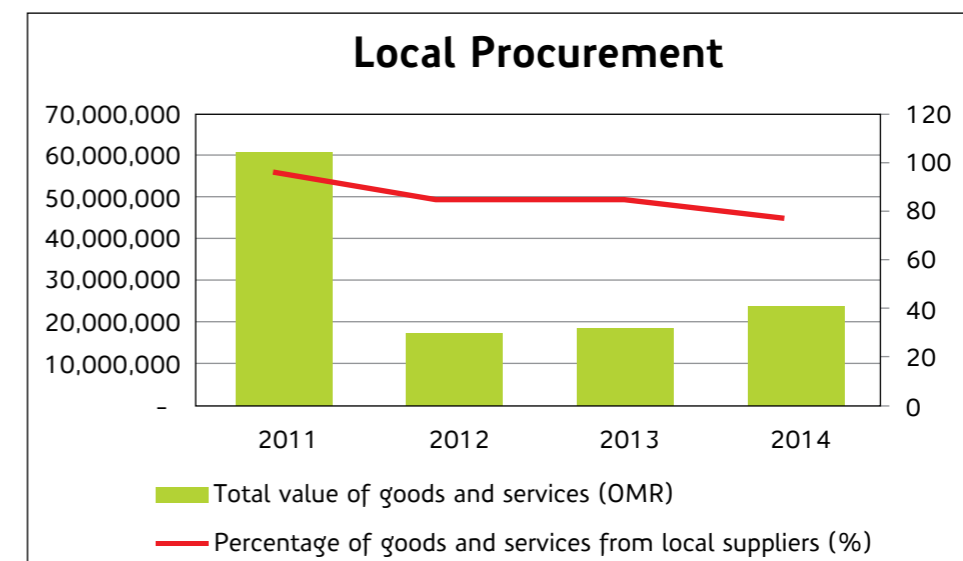
Global Islamic Finance award

Meethaq Islamic Banking won a prestigious award in recognition of its pioneering role and contributions to Islamic banking in Oman. The 'Upcoming Personality in Islamic Finance 2014' award by Global Islamic Finance was conferred on Sulaiman Al Harthy, Group General Manager – Islamic Banking.

Economic Value Generated and Distributed					
	2010	2011	2012	2013	2014
Revenues(before recovery & charges)	265,496	294,244	323,652	340,156	383,110
Operating costs	94,149	109,734	123,401	132,687	146,686
Employees Wages and Benefits	56,788	65,889	74,262	78,199	85,982
Payments to providers of capital	33,660	38,709	50,963	53,807	54,567
Community investment: Voluntary contributions and investment of funds in the broader community (includes donations)	1,086	1,146	1,501	1,575	1,433
Gross taxes	16,205	18,663	17,549	22,701	23,043
Depletion, Depreciation & Amortization	8,754	11,156	11,207	10,997	11,204

Customer Focus Group Meetings

Customer Focus Group Meetings for Corporate Banking clients are organized to evaluate the extent of customer satisfaction with the bank's products, services and delivery channels. The meetings help understand how the quality of products and services provided are perceived and rated by customers; and the particular areas with scope for improvement. The feedback is utilised to address various issues raised by clients. Satisfied customers lead to more business opportunity as well as increased customer loyalty and unique customer service.



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 2014, 77% 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.

DEVELOPING FROM WITHIN



Introduction

bank muscat recognises that its employees are the mainstay to meeting strategic objectives. The bank is focused on continuously enhancing the capabilities of its human resources and 2014 witnessed some very significant and strategic projects towards this endeavour. The launch of the Talent Management & Succession Planning programme and successful conclusion of the Development Centre reflected the reinforcements of this resolve to develop capable and versatile leaders.

bank muscat presently has 3512 employees with Omanisation level exceeding 93 per cent. The bank appointed 592 Omanis at various levels in 2014. Over

8225 learning opportunities were provided by the Learning Centre through 899 courses and 18,310 training man-days were covered during 2014.

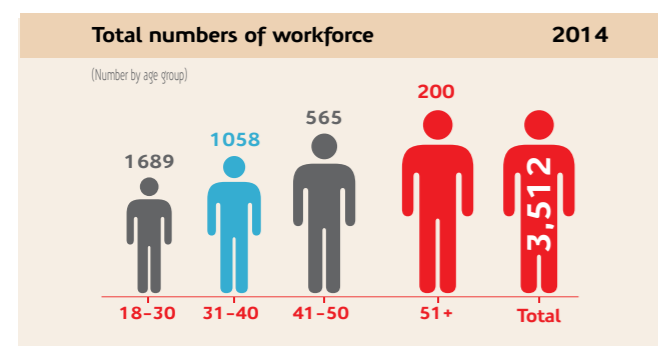
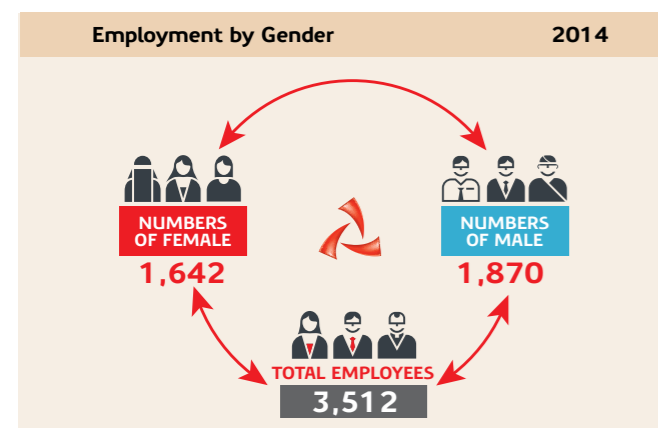
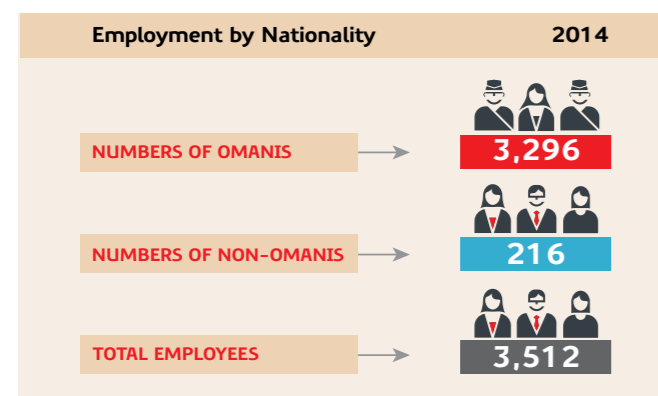
For people looking for a fulfilling career, **bank muscat** is the employer of choice. The bank has achieved qualitative advance in the human resources sector as it attracts the best Omani cadres for employment at all levels. The bank's women empowerment strategy is also notable as 46 per cent of staff are women performing various roles, including senior management cadres.

bank muscat: Past, Present and Future

2013	2014	2015
<ul style="list-style-type: none"> • Target for qualitative advancement in the human resources sector to attract the best Omani cadres for employment at all levels. 	<ul style="list-style-type: none"> • Launch of Talent Management & Succession Planning Programme. • Successful conclusion of the Development Centre to develop versatile leaders. • Phase 1 of bank muscat road safety campaign. • Health awareness campaigns. • External health and safety audit. 	<ul style="list-style-type: none"> • Implementation of upgraded Oracle HRMS system in the areas of Talent Management, Succession Planning, Learning Management, Performance Management, Human Capital Analytics and launch of Knowledge Management. • Enroll bank drivers in Defensive Driving courses. • Phase 2 of bank muscat road safety campaign.

Talent Management & Succession Planning Programme

The bank launched a comprehensive and inclusive talent management framework aimed at institutionalising talent identification and development of potential employees across the bank. The programme enables the bank to benchmark talent development approaches with international best practices. Aimed at generating increased individual and organisational commitment to talent development through assessment, feedback, personal and group development planning, the long-term programme provides career development opportunities for employees with leadership potential.



Key staff honoured for skill enhancement

The bank honoured employees who successfully completed a comprehensive skill and knowledge enhancement programme launched in pursuit of strategic objectives. The successful conclusion of the Development Centre programme launched in 2012 covered 41 employees drawn from diverse business units. The bank continuously invests to build human capacity and create career opportunities for highly-qualified Omani nationals. The bank has been able to derive maximum mileage out of its HR as well as Learning & Development processes as most of its middle and senior management cadres are drawn from within the bank.



Education and Training

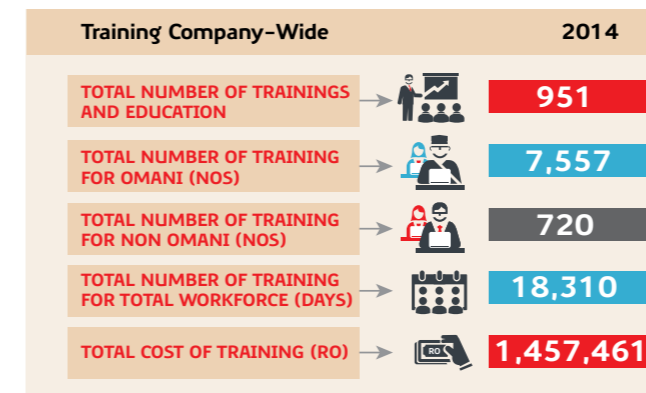
In 2014, the bank nominated 12 executives for various programmes at leading business schools such as Harvard Business School, USA and the institute for Management Development, Switzerland.

The bank has provided overseas scholarships for post-graduate studies at top 100 ranked business schools to 40 employees, of whom 28 have graduated. The bank has registered 456 staff for various professional certifications of whom 214 have successfully completed their studies. This will enable the employees and their respective business units to benchmark qualifications with international professional standards.

The bank is a preferred organisation for college students requiring internship programmes. This year a total of 726 students were offered internship opportunities in the bank as part of its Corporate Social Responsibility initiatives.

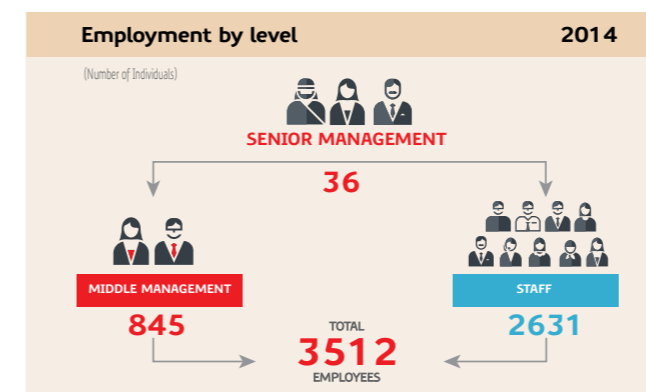
The bank continuously invests to build human capacity and create career opportunities for highly-qualified

Omani nationals. The bank has been able to derive maximum mileage out of its HR processes as most of its middle and senior management cadres are drawn from within the bank.



HR Leadership Award

The bank won a prestigious HR Leadership award hosted by the Employer Branding Institute, CMO Asia, in recognition of vital contributions to moulding the finest Omani talents. The bank also won the Talent Training and Development award by CMO Asia and was cited as the best employer brand with a distinct identity visible through HR practices, policies and strategy. The award acknowledged exemplary excellence in learning and development initiatives; distinctiveness in employee hiring; training and retention practices and continuous innovation.



Road Safety Initiative

The bank launched a road safety campaign, targeted at sharing safe driving tips with employees across the Sultanate who were encouraged to sign a pledge for responsible driving behavior to make Omani roads safe. Phase 2 of the campaign will see the initiative promoted among the bank employees in different

regions of Oman. Specially created videos will be utilised to raise awareness on four main factors causing road accidents – speeding, unfastened seatbelt, distracted driving and fatigue.

The Integrated Vehicle Management System (IVMS) was installed in the pool of bank vehicles to promote road safety and avoid accidents.

Annual Health Awareness Events

The bank organised a breast cancer awareness campaign in association with Oman Cancer Association (OCA) at the head office. The programme included lectures, Q&A sessions and screening facility for free clinical examination at the Mobile Mammography Unit (MMU) arranged by OCA at the head office. The bank also supported the 11th annual walkathon to raise awareness on early detection and prevention of cancer.

EMPOWERING COMMUNITIES



Introduction

The bank has identified key areas to empower communities, accomplishing the objective of giving back to society through innovative products and services, employee voluntary programmes and established CSR programmes. The 2014 sustainability goal for empowering communities was achieved, building up support for the small and medium enterprise (SME) sector to encourage an entrepreneurial culture in Oman.

bank muscat: Past, Present and Future

2013	2014	2015
<ul style="list-style-type: none"> • Encourage an entrepreneurial culture in Oman, by supporting SMEs • Ensure sustainability becomes part of the bank muscat culture • Introduce a new CSR and Sustainability programme, Mojtama'na 	<ul style="list-style-type: none"> • Implementation of Najahi targeted at micro and small businesses (See page 28 for more information) • The Sustainability Committee structure was revised to include a wider representation of the bank's divisions • Mojtama'na was integrated into the core elements of CSR activities 	<ul style="list-style-type: none"> • Enhance Green Sports scope and increase the number of teams supported annually • Build up awareness on sustainability throughout the bank

Empowering Communities

In its ongoing commitment to deliver long-term benefits to the community, **bank muscat** has created, implemented and continues to develop its Corporate Social Responsibility programmes. It is part of the bank's culture to strengthen its ties with the community by utilising its resources to impart a positive sustainable impact through its nationally acclaimed initiatives. The programmes are focused on key areas, including sports, youth, education and the economically disadvantaged sections of society. In addition, **bank muscat** employees affirm the bank's commitment to the community by developing and implementing relevant social development programmes.

Jesr Al Mustaqbal

The Jesr Al Mustaqbal education sponsorship programme was launched in 2012 to nurture the future generations of Oman. The programme focuses on providing youth from families under the social welfare programme, with an opportunity to continue their higher education, in line with His Majesty Sultan Qaboos's directives to provide relevant educational and training scholarship programmes to empower all sections of society.

The bank in partnership with the Ministry of Higher Education supported 8 students in 2014 for bachelor degree programmes and 13 students from across the Sultanate for diploma programmes.

Tadhamun home renovation programme

bank muscat launched 'Tadhamun' home renovation programme in collaboration with the Ministry of Social Development. The programme extended support to needy homes across the Sultanate, providing basic electronic home appliances to 120 families in 2014. The bank also supported two homes in dire need of renovation.

Green Sports

The Green Sports initiative was launched by the bank in 2012 to lay the foundation at the grass-root level for a sustainable sports infrastructure across Oman. In a bid to expand its reach, the scope of the programme was widened to include lighting, desalination equipment and artificial grass for playgrounds. Due to the programme's overwhelming success and popularity, the bank also increased the number of beneficiaries to 15 teams annually. To date, Green Sports has benefited 34 teams over the course of three years, supporting 14 teams in 2014.

Employee Social Responsibility Initiatives

Corporate Banking Group – Building up on the success of the Corporate Banking Group's Charity Bake Sale held in February 2014, the team extended a helping hand and donated two playground sets to Al Tarihiya Al Fikriya School in Al Khuwair. The school caters to children with learning disabilities.

As part of activities linked to the bank's **We Can Do More** vision and in line with the bank's voluntary activities, the Corporate Banking Group also donated playground sets to three Public Schools, including Wadi Adai School.

Human Resource Management – The department organised a Bake Sale to raise funds for the Creative Centre for Rehabilitation. Household goods and learning tools for orphans and autistic children were distributed by the bank employees in an effort to interact with the physically challenged children, bringing joy to them and their families.

Project Management Office, Planning and Control Department and Operations Department – Over 500 Arabic and English title books were collected and donated to 'Maktabati' mobile library. Maktabati is Oman's first mobile library initiative launched as part of the 'Let's Read Campaign' by Dar Al Atta'a. The Maktabati bus travels across Oman, giving children

greater access to good books and an opportunity to develop an interest for reading.

Sponsorship Opportunities

As the leading financial institution in the Sultanate, the bank invested in various activities and initiatives aimed at promoting a healthy and well-balanced lifestyle.

Muscat Marathon – The bank extended lead support to Muscat Marathon which attracted 500 participants, ranging from locals to long distance running enthusiasts from neighboring countries.

Tour of Oman – The bank was honoured to host the Tour of Oman cycling championship with one of its stages flagged off from its premises. The participation of international professional cyclists in the event was an inspiration for the youth of the country.

Diabetes Conference – The bank extended support to the Ministry of Health to host a conference on diabetes, attended by renowned doctors. The conference served as a platform to open dialogue and focus attention on a health issue facing Omani society.

3rd European-Asian Breast Cancer Congress – The bank supported the 3rd European Asian Breast Cancer Congress, which focused on promoting exchange of knowledge in the field of breast cancer treatment between countries from the East and the West.

Guest Speakers

The bank hosted a series of forums with renowned economist and investment expert Dr. Marc Faber, who shared his insights on the state of world economy and financial markets. The events titled 'Path to Profit' and 'The unstable state of the world in late 2014' was attended by dignitaries from the government and top corporate clients.

Shahadati Educational Finance

The Shahadati educational finance was launched by the bank to help Omani youth achieve career advancement with relevant educational qualifications. With Shahadati,

they can now pursue higher education in Oman or abroad without financial constraints.

Against the backdrop of Oman's demographics, Shahadati is aimed at benefiting over 50 per cent of the Sultanate's population who are below 19 years. With employment prospects directly linked to corresponding educational qualifications, Omani youth are increasingly pursuing higher education to achieve their career ambitions. According to statistics, 80 per cent of secondary school graduates spend from their pockets to pursue higher education. Shahadati fills this critical need, helping youth to pursue higher education at universities of their choice, thereby guaranteeing a secure future for Oman's future generations.

Basma and Basim inculcate savings culture among children

Giving a major thrust to inculcating a strong savings culture among children, the bank introduced Basma and Basim, the new mascots representing al Mazyona Children's Savings Account. Dressed in traditional Omani attire, the child characters Basma and Basim have struck an instant appeal with children who can easily relate with them. The interaction with Basma and Basim is aimed at helping children to understand the principles of financial management in general and the advantages of the attractive al Mazyona savings product.

Meethaq

Guest Lecturers

Meethaq Islamic Banking hosted a series of lectures during the Holy Month of Ramadhan, inviting distinguished speakers who highlighted various aspects of socio-economic relevance vis-à-vis Islamic finance.

Baraem magazine

Meethaq launched Baraem magazine targeted at children to educate them on savings and financial management. The interactive magazine focuses on inculcating good financial habits among children at a young age.

RECOGNISING OUR ENVIRONMENTAL IMPACT



Committed to responsible banking, our focus is clear – creating a sustainable financial platform for society and business, thereby contributing to sustainable development and protection of the environment. Our innovative endeavours to do more for the environment are reflected in our head office, which has incorporated design features, including enhanced insulation and occupancy sensors, to reduce energy consumption.

Recognizing our Environmental Impact

The main environmental impact of our business comes from financing large-scale development projects. In this respect, we manage our environmental impact by adhering to the Equator Principles for responsible financing. Information on our performance in applying the Equator Principles is detailed in the "Enhancing Economic Performance" chapter. As an organisation, our impact on the environment stems from resource consumption and corresponding emissions. Individually, we are committed to efficiently utilising resources to minimise our environmental footprint.

Health, Safety and Environment

Our Health, Safety and Environment (HSE) team within the Risk Management department drives responsible working practices across our operations. The HSE team is developing an

internal environmental policy to further lead the organisation towards sustainable working practices. The focus areas include studying our energy consumption patterns in the head office to identify areas for improvement and implementing more energy efficient devices and practices. We are also monitoring our waste production more stringently and exploring recycling options.

In-vehicle monitoring system (IVMS)

The bank was successful in implementing the IVMS system in all the bank cars.

The following are the key features of the IVMS.

1. The bank vehicles are to be used only for official purposes. The IVMS helps in monitoring vehicle utilisation.
2. Record vehicle speed (Maximum speed limit 60/80/100/120 KMPH as indicated by road signs).
3. Record instances of harsh braking and harsh acceleration.
4. Record instances of engine idling (To reduce emission).
5. Detect wearing of seatbelts

Highlights of HSE initiatives in 2014.

- Two fire evacuation drills were successfully conducted in the head office. The evacuation of over 1,400 people was achieved in under-5 minutes. Significant co-ordination and preparation efforts were in place to ensure the exercise was a success without impacting services to customers.
- The HSE team regularly interacted with departments to ensure compliance with HSE regulations and policies.
- Regular inspection of facilities was carried out to avoid mishaps.
- Proactive HSE procedures were put in place to maintain a safe work environment.

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.

We believe the following measures taken will help reduce our emission levels.

- The terms of annual maintenance contracts were revised to ensure proper coverage of all items, especially after 3 years of operations.

- Monthly inspection of generators was carried out to ensure smooth operation.

Initiatives for saving energy

- The external lighting system was efficiently utilized to save energy.
- Daily inspection was carried out to ensure efficient operation of equipment.
- The viability of renewable energy (solar panels) for external lighting was evaluated.
- Replacement of existing lights by energy-efficient LED lights is under consideration.
- The benefits of shutting down few HVAC units (alternately) during non-working hours and holidays was evaluated. This will result in:
- Prolonging the life of equipment and reducing maintenance cost.
- Energy saving (5-10% annually).

Waste

We have defined organisation-wide waste reduction targets and are considering options to recycle waste. Special bins have been provided at the head office to encourage employees to segregate their waste.

Paper is a large component of our waste at the bank. In an effort to reduce the usage of paper, we have implemented the following initiatives:

- Almost all our internal communication is exchanged electronically by employees.
- Soft copies of all our policies are available for employee reference on our "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.
- We are gradually moving from physical newspapers to digital (online) newspapers, in phases. This will lead to a significant reduction in paper waste as employees will be reading online newspapers and publications.
- All paper documents are being converted into electronic documents for online access.

- We are exploring paper and waste recycling options.

In extending our waste reduction values to customers, our online banking and mobile banking allow access to information without the need for printed material. Electronic statements are also becoming popular in place of physical statements.

Eco-friendly Head Office

Our head office was designed to inspire environmental stewardship among employees and customers. The building incorporates the following unique environmental design features to conserve energy and water resources.

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 12 branches, facilitating the use of wireless internet through smart phones, tablets or laptops.

Efficient Electricity Consumption Project

We are considering the Efficient Electricity Consumption Project (Electroflow) in the head office. As part of the project, Electroflow electronic devices will be fitted in parallel to incoming power supply. This will ensure continuous power supply, even during power failure, and also improve the quality of electricity supplied to the head office.

Following are the key benefits of the Electroflow project.

- 10-15 per cent reduction in electricity consumption, leading to reduced levels of emissions and cost saving from reduced electricity consumption.
- Electroflow will improve the quality of electricity, thereby extending the life of electrical equipment and appliances used in the head office. Hence, the carbon footprint of the bank will be reduced. We do not have supporting data yet on this and should be able to see results in the coming years.
- Currently, there are 100+ capacitors that need to be replaced every 5 years. By implementing Electroflow, the bank will avoid replacement of capacitors in a

phased manner. This will result in cost savings as well as contribute to reducing the carbon footprint.

Following are the key technical improvements expected.

- Voltage improvement and stability
- Three-phase balancing
- Surge and transient suppression
- Broadband harmonics mitigation
- Power factor improvement
- Releasing KVA capacity

Energy and Water Saving Features

- Building orientation maximises natural light, reducing lighting requirements during daytime.
- Pilkington "E" glass and film on Oriel windows insulate the building from heat.
- Water features in the lobby bring down temperature and reduce cooling requirement.
- Occupancy sensors ensure that interior lights are off when an area is vacated.
- The synchronised positioning of air-conditioning units enhances the natural flow of cool air.
- Water taps and toilet flushes are fitted with automated sensors to save water.
- During Winter season HVAC set temperature increased to 6.5degrees from 5.5 degrees to reduce the electricity consumption.

Business Continuity Plan

The Business Continuity Plan (BCP) looks at ways and means to equip the bank deal with a variety of crises that may come its way, both from economic and natural reasons, 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.

GRI G4-24, G4-25, G4-26, G4-27

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.

GRI G4-24, G4-26, G4-27

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:

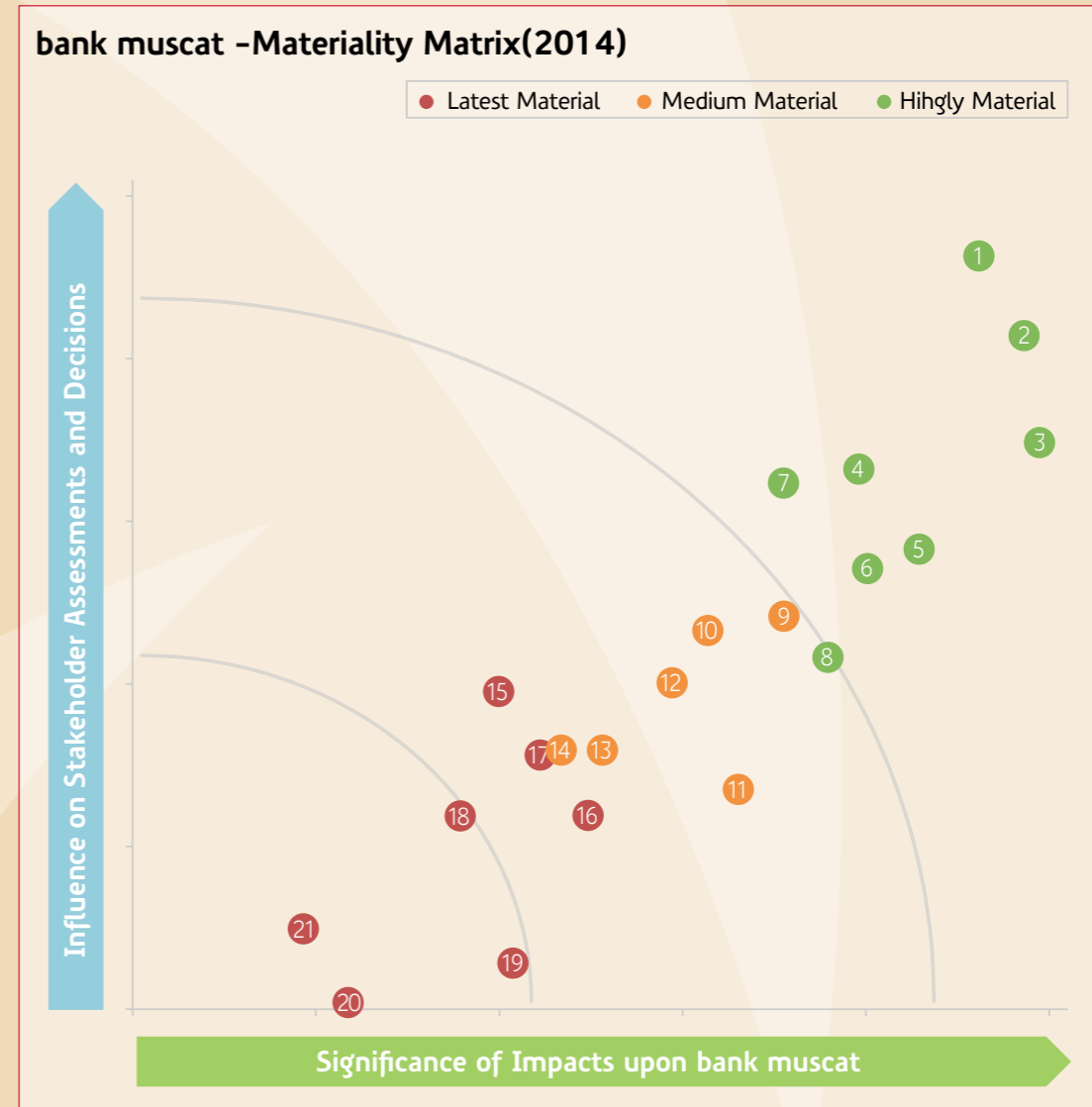
- GRI G4 aspects–Banking and Financial Sector
- GRI Sustainability Topics for Banking and Financial Sector
- Sustainability Accounting Standards Board Topics– Financial Sector
- Vital topics in the Middle East Regional banking

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.



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	9	None
ORGANIZATIONAL PROFILE		
G4-3	9	None
G4-4	14	None
G4-5	13	None
G4-6	13	None
G4-7	13, 15	None
G4-8	13, 14	None
G4-9	14, 33, 36	None
G4-10	36	None
G4-11	bank muscat staff are not part of a union	None
G4-12	33	None
G4-13	No major changes	None
G4-14	9, 29, 44	None
G4-15	9	None
G4-16	9, 29	None
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	11, 13	None
G4-18	11, 48, 49	None
G4-19	49	None
G4-20	48, 49	None
G4-21	49	None
G4-22	No restatements have been made	None
G4-23	No significant changes	None
STAKEHOLDER ENGAGEMENT		
G4-24	46, 47	None
G4-25	46	None
G4-26	46, 47	None
G4-27	46, 47	None
REPORT PROFILE		
G4-28	Calendar year	None
G4-29	2013 Sustainability Report	None
G4-30	Annual	None
G4-31	54	None
G4-32	11, 50, 51	None
G4-33	No external assurance	None
G4-34	19, 20, 21, 24	None
ETHICS AND INTEGRITY		
G4-56	23	None

SPECIFIC STANDARD DISCLOSURES			
DMA and Indicators	Page Number	Omission	External Assurance
CATEGORY: ECONOMIC			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	27		None
G4-EC1	33		Page 103, bank muscat Annual Report (http://www.bankmuscat.com/en-us/InvestorRelation/fi/AnnualReports/Bank%20Muscat_Annual%20Report-2014.pdf)
MATERIAL ASPECT: MARKET PRESENCE			
G4-DMA	9		None
G4-EC6	36		None
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	27, 29		None
G4-EC8	29, 30, 31, 32		None
MATERIAL ASPECT: PROCUREMENT PRACTICES			
G4-DMA	33		None
G4-EC9	33		None
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT: ENERGY			
G4-DMA	43		None
G4-EN5	44, 45		None
MATERIAL ASPECT: PRODUCTS AND SERVICES			
G4-DMA	29, 30		None
G4-EN27	29, 30		None
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-DMA	35		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	35, 36		None
G4-LA9	37	Breakdown of training by gender was not available. bank muscat will begin tracking this for publication in a 2016 report.	None
G4-LA10	36,37		None
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	35, 36		None
G4-LA12	20, 21, 36		None
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-DMA	39, 40		None
G4-SO1	39, 40		None
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT: ACTIVE OWNERSHIP			
G4-DMA	29, 30		None
G4-FS11	29, 30		None

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