

بنك البحرين الإسلامي



**Report on Corporate Governance
2018**

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1 Introduction

1.1 Corporate Governance Framework

Bahrain Islamic Bank B.S.C. (“BisB” or the “Bank”) is committed to upholding the highest standards of corporate governance by way of balancing entrepreneurship, regulatory compliance, and industry best practices, while creating value for all stakeholders. It also involves having the right checks and balances in place throughout the organization to ensure that the Bank’s processes are within an adequate, efficient and robust internal control and governance framework.

1.2 Statement of Responsibility

The Board is ultimately accountable to the shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value through strategic initiatives. The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Bank’s shareholders. The Board has established the following Committees to assist it in carrying out its responsibilities:

1. Executive Committee (“EC”);
2. Audit, Compliance & Governance Committee (“ACGC”); and
3. Nomination & Remuneration Committee (“NRC”).

The Risk Management function of the Bank had a dual reporting to Board’s EC and ACGC however, during the second half of 2018, an independent Board Risk Committee (“BRC”) was also established. Accordingly, the reporting of the Risk Management function is directed to the BRC.

BisB’s corporate governance framework is built on a code of business conduct, policies, procedures, internal controls, risk management, Sharia review and audit, internal and external audit and compliance functions. The framework is based on effective communications, transparent disclosures, performance measurement and accountability. An independent Internal Audit function is established within the Bank that reports directly functionally to the ACGC.

1.3 Code of Business Conduct

BisB conducts its business in accordance with the highest standards of ethical behavior. A Code of Business Conduct has been developed, based on the CBB’s Principals of Business regulations, to govern the personal and professional conduct of the directors and employees of the Bank. The code is based on the following principals:

1. Integrity
2. Conflicts of Interest
3. Due Skill, Care and Diligence
4. Confidentiality
5. Market Conduct
6. Customer Assets
7. Customer Interest
8. Relations with Regulators
9. Adequate Resources
10. Management, System & Controls

The requirements under each of the above principals are made available to the Board and employees of the Bank. The Board monitors any exceptions to the above principals by way of reviewing formal reports issued to the Board's Audit, Compliance & Governance Committee.

1.4 Compliance

Compliance is an independent function that reports to the ACGC. The Compliance function, guided by the Board approved Policies, works with various business and controlled functions of the Bank to ensure compliance with the applicable rules and regulations of the Central Bank of Bahrain.

1.5 Communications

BisB conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communication channels include the annual report, website and regular announcements in the appropriate local media.

2 Board of Directors

2.1 Composition

Dr. Esam Abdulla Fakhro

Non-Executive & Non-Independent Director

Dr. Esam Abdulla Fakhro is a holder of PhD Degree in Mechanical Engineering from London University. He was awarded the Bahrain Medal – First Class. He is also a member of the Supreme Council for Education Development, and a member of the board of Trustees of AMA International University. Dr. Fakhro was a former member of the Economic Development Board. Previously, he chaired the Aluminum Bahrain Co. (ALBA), in addition to chairing the Bahrain Chamber of Commerce & Industry, and the Federation of GCC Chambers. Dr. Fakhro was a former member of Mumtalakat Company. Currently, he chairs Abdullah Yousif Fakhro & Sons Group in the field of transport and electronics, as well as foods and financial services. Dr. Fakhro is also the Chairman of the Board of Directors of the Bahrain Cinema Company. In addition, he assumes the post of the Deputy Chairman of National Bank of Bahrain, and the Qatar Bahrain Cinema Company. He is also a member of the Board of Directors of TRAFICO and Bahrain Livestock Company.

Brigadier Ebrahim Abdulla Al Mahmood

Non-Executive & Non-Independent Director

Brigadier Ebrahim Abdulla Al Mahmood currently serves as Chief Finance Officer of Bahrain Defense Force (“BDF”) after having held many positions, such as: Director of Military Consumer Association, Head of Internal Audit Division, Head of Financial Control Division and Assistant Financial Controller. Brigadier Al Mahmood is the Vice Chairman of Bahrain Aluminum Extrusion Company (Balexco), a Board Member of the Military Pension Fund and the Military Consumer Association. He is a certified Arab accountant and holds a master's degree in public administration from the Portland State University, USA, and a B.Sc. in Economics from the University of Kuwait. In addition to his participation in many training courses in the areas of management, leadership and development, and has a professional experience of more than 37 years.

Khaled Yusuf AbdulRahman

Non-Executive & Non-Independent Director

Mr. Khalid Yusuf AbdulRahman is Vice Chairman and Chief Executive Officer of Yousif AbdulRahman Engineer Holding Company W.L.L. He is also Chairman of Food Supply Company Limited, Vice Chairman of National Establishment of Technical and Trade Services, Vice Chairman of National Transport Company, and vice Chairman of Awal Dairy Company. He is a member of the Board of several major companies in Bahrain, including the National Bank of Bahrain and Bahrain Ship Repairing & Engineering Company. He gained his B.Sc in Mechanical Engineering from Plymouth Polytechnic, UK, and is a registered member of Bahrain Society of Engineers and the Committee for Organizing Engineering Professional Practice (COEPP) Mechanical Engineering Cat. B. Mr. AbdulRahman has over 40 years of professional experience.

Mohammed Ahmed Abdulla Al Khaja

Non-Executive & Non-Independent Director

Mr. Mohammed Ahmed Abdulla is the Head of Strategic Initiatives and Business Development at Osool Asset Management Company. Prior to Osool, he held senior management positions at Credit Suisse AG-Bahrain Branch and Credit Suisse AG-Dubai. He started his career at HSBC Middle East, before moving to Merrill Lynch-Bahrain where he spent 7 years. Mohammed Ahmed is a Board Member, Chairman of the Nomination & Remuneration Committee and Audit Committee Member at both the Medgulf Group and Medgulf Allianz Takaful. Furthermore, he is a Board Member and Vice Chairman of the Audit Committee of Bahrain Commercial Facilities Company and Board Member of Aegila Capital Management, UK. He holds a Bachelor's degree in Accounting from the University of Bahrain, and is accredited to the National Association of Securities Dealers and the National Futures Association. Mr. Mohammed has more than 18 years of professional experience.

Talal Ali Al Zain

Non-Executive & Independent Director

Mr. Talal Ali Al Zain was the Chief Executive Officer of Pine Bridge Investments Middle East BSC (c), and Co-Head of Alternative Investments at Pine Bridge Investments. Prior to this, he was Board Member and CEO of Bahrain Mumtalakat Holding Company; having previously spent 18 years with Investcorp Bank as Managing Director and Co-Head of Placement & Relationship Management. Mr. Al Zain was Vice President of Private Banking international and Head of Investment Banking Middle East with Chase Manhattan Bank; as well as a Corporate Banker with Citibank Bahrain. Mr. Al Zain is a Board Member of the Alubaf Arab International Bank. He previously chaired and served as a board member on many corporations including McLaren, the Bahrain Economic Development Board, Gulf Air, and the Bahrain International Circuit. He holds an MBA in Business Administration (majoring in Finance) from Mercer University, Atlanta, USA; a BA in Business Administration (majoring in Accounting) from Oglethorpe University, Atlanta, USA and attended the Management Development Program at Harvard Business School.

Khalil Ebrahim Nooruddin

Non-Executive & Independent Director

Mr. Khalil Ebrahim Nooruddin is an experienced banker, at both an executive and board level. Currently, he is the Managing Partner of Capital Knowledge, a consulting and training company. Over the past eight years, he has concluded several consulting assignments for financial institutions, working on strategy formulation and implementation. Prior to this, Khalil Nooruddin worked for Investcorp Bank, Bahrain; UBS Asset Management in London and Zurich; and Chase Manhattan Bank in Bahrain. He is an active member of several civil and professional societies in Bahrain. A CFA charter holder, Mr. Nooruddin holds an MSc in Quantitative Analysis from the Stern Business School at New York University, USA, and a BSc in Systems Engineering from the King Fahd University of Petroleum & Minerals, Saudi Arabia. He has over 30 years of professional experience.

Ebrahim Husain Ebrahim Aljassmi

Non-Executive & Independent Director

Mr. Ebrahim Hussain Ebrahim Aljassmi was the Chief Executive Officer & Board Member of Khaleeji Commercial Bank until June 2012, and continued as Board Member until July 2013, and currently is a Board Member of

Ibdar Bank as well as Bahrain Middle East Bank. Prior to this, he was Chief Executive Officer of the Liquidity Management Centre. Previously, at the Arab Banking Corporation, he held the positions of Vice President-Global Marketing Unit, Vice President-Treasury & Marketable Securities Department, and General Manager-ABC Securities. He has also worked for BBK Financial Services Company, and Shamil Bank. He holds an MBA from the University of Bahrain and a Bachelor's degree in Economics from the University of Kuwait; he has over 35 years of experience in both conventional and Islamic banking.

Othman Ebrahim Naser Al Askar

Non-Executive & Independent Director

Mr. Othman Ebrahim Al Askar is the Director of the Investment department of Waqf public foundation of the State of Kuwait. He joined the Awqaf Foundation in 1995, and held various positions before taking up his current post in 2010. Prior to this, he was Head of the Investment and Banks Department at Kuwait Public Transport Company. Mr. Al Askar is a Board Member of the Educational Holding Group, Kuwait, and a former Board Member of Rasameel Structured Finance Company, Kuwait. He holds a BSc in Business Administration and Economics from the Washington Center University, USA, and has over 29 years of professional experience.

Muhammad Zarrug Rajab

Non-Executive & Non-Independent Director

Mr. Muhammad Zarrug Rajab holds a Bachelor's degree in Accountancy and is a fellow member of the Institute of Chartered Accountants in England & Wales. He also held senior posts in Libya, including the Auditor General, the Minister of Treasury, Head of Libyan Peoples' Congress, the Prime Minister from 1983 to 1985, Governor of Libyan Central Bank, and Libyan Foreign Investment. He has over 45 years of professional experience.

2.2 Independent Board Members

1. Talal Ali Al Zain;
2. Khalil Ebrahim Nooruddin;
3. Ebrahim Husain Ebrahim Aljassmi; and
4. Othman Ebrahim Naser Al Askar

2.3 Board Composition, Start Date & Term

#	Director	Start Date	Term
1	Dr. Esam Abdulla Fakhro	23 rd March 2016	First
2	Brigadier Ebrahim Abdulla Al Mahmood	28 th May 2017	First
3	Khaled Yusuf AbdulRahman	23 rd March 2016	First
4	Mohammed Ahmed Al Khaja (<i>Until 2nd December 2018</i>)	23 rd March 2016	Second
5	Talal Ali Al Zain	23 rd March 2016	Second
6	Khalil Ebrahim Nooruddin	23 rd March 2016	Second
7	Ebrahim Husain Ebrahim Aljassmi	23 rd March 2016	Second
8	Othman Ebrahim Naser Al Askar	23 rd March 2016	Second
9	Muhammad Zarrug Rajab	23 rd March 2016	Second

2.4 Board of Directors' Responsibilities

The primary responsibility of the Board of Directors is to provide effective governance over the Bank's affairs for the benefit of its stakeholders, and to balance the interests of its diverse constituencies, including associated concerns, employees and other stakeholders. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Bank.

The Board will approve and oversee the implementation of the Bank's strategies and will review and approve the Bank's strategic plan. As part of its strategic review process the Board will review major action and business plans, set performance objectives and oversee major investments, divestitures and acquisitions. The Board is also ultimately responsible to ensure effective risk management function, regulatory compliance, adequate internal controls as well as compliance with Sharia rulings. Every year, at an annual Board strategy session, the Board will formally reassess the Bank's objectives, strategies and plans.

One of the Board's most important responsibilities is identifying, evaluating and selecting candidates for the Board of Directors. The Board will seek members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have had experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon the contributions they can make to the Board.

The Board may not necessarily carry out all these responsibilities but should ensure that these have been delegated to various board committees or executive management committees to act on their behalf and communicate periodic reports to the Board for their review.

2.5 Induction of New Directors

The Bank provides an orientation program for new Directors which shall include presentations by senior management on the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its operations, its Code of Conduct, its management structure and executive officers and its internal and external auditors.

2.6 Code of Conduct

The Bank adopts a Code of Conduct and other internal policies and guidelines to comply with the laws, rules and regulations that govern the Bank's business operations. The Code of Conduct applies to all employees of the Bank as well as to Directors.

2.7 Review of Internal Control Processes and Procedures

Audit, Compliance & Governance Committee assists the Board in fulfilling its oversight responsibility relating to the performance of the internal audit function, which regularly reviews and ensures adherence to internal control processes and procedures.

3 Board Membership

The Board of Directors' membership term is three years, subject to renewal. Shareholders owning 10% or more of the share capital must nominate a representative on the Board of Directors in proportion to the number of Board members. A secret ballot is held at the Ordinary General Meeting for the remaining Board members. The Board of Directors elect, by a secret ballot, a Chairman and Vice Chairman for a renewable term of three years.

Membership of the Board of Directors can be terminated in the following cases:

- If a member fails to attend at-least 75% of the meetings without a reasonable excuse;
- If he/she tenders his resignation in writing;
- If he/she fails to fulfill any related conditions referred to the Bank's Memorandum of Association;
- If he is appointed or elected in violation of the provisions of the CBB Law and/or Bahrain Commercial Companies Law;
- If he abuses his membership for carrying on other business that competes with or is detrimental to the company's business; or
- If the shareholder who nominates him applied for his removal.

3.1 Board Meetings and Attendance

Minimum Number of Meetings Required = 4

Members	22-Jan	12-Feb	28-Mar	07-May	13-Aug	05-Nov	10-Dec
Dr. Esam Abdulla Fakhro	✓	✓	✓	✓	✓	✓	✓
Brig. Ebrahim Abdulla Al Mahmood	✓	✓	✓	✓	✓	✓	✓
Mr. Khalid Yousif Abdul Rahman	✓	✓	✓	✓	✓	✓	✓
Mr. Talal Ali Abdulla Al-Zain	✓	✓	✓	✓	✓	X	✓
Mr. Khalil Ebrahim Nooruddin	✓	✓	✓	✓	✓	✓	✓
Mr. Muhammad Zarruq Rajab	✓	✓	✓	✓	X	✓	✓
Mr. Ebrahim Husain Ebrahim Al-Jassmi	✓	✓	✓	✓	✓	✓	✓
Mr. Othman Ebrahim Naser Al-Askar	✓	✓	X	✓	X	✓	✓
Mr. Mohammed Ahmed Al Khaja (Until 2 nd December 2018)	✓	✓	✓	✓	✓	✓	N/A

3.2 Board Committees

Board Committee	Members	Objectives
Executive Committee (EC)	<p>Chairman Brig. Ebrahim Abdulla Al Mahmood</p> <p>Members</p> <ul style="list-style-type: none"> • Khalil Ebrahim Nooruddin • Khaled Yusuf AbdulRahman • Mohammed Ahmed Abdulla • Hassan Amin Jarrar (non-voting) 	The objective of the EC of the Bank is to undertake the duties and responsibilities delegated by the Board of Directors to assist the Board in the fulfilment of its duties to the Bank and its shareholders.

Audit, Compliance & Governance Committee (ACGC)	Chairman Ebrahim Husain Aljassmi Members <ul style="list-style-type: none"> Othman Ebrahim Al Askar Muhammad Zarrug Rajab 	The ACGC oversees the integrity and reporting of the Bank's quarterly and annual financial statements. It also covers review of audit findings, relevant risk reporting, provisions and impairments as well as compliance with legal and regulatory requirements.
Nomination and Remuneration Committee (NRC)	Chairman Dr. Esam Abdulla Fakhro Members <ul style="list-style-type: none"> Talal Ali Al Zain Ebrahim Husain Aljassmi 	The NRC is responsible for developing and recommending changes from time to time in the Bank's nomination and remuneration policy, including the variable payment policy. It is also entrusted to identify and recommend persons occupying senior positions including board members.

3.3 Executive Committee Meetings and Attendance

Minimum Number of Meetings Required = 4

Members	03-Jan	11-Feb	06-Mar	23-Apr	25-Jun	23-Oct	18-Nov
Brig. Ebrahim Abdulla Al Mahmood	✓	✓	✓	✓	✓	✓	✓
Khalil Ebrahim Nooruddin	✓	✓	✓	✓	✓	✓	✓
Mohammed Ahmed Al Khaja	✓	✓	✓	✓	✓	✓	✓
Khaled Yusuf AbdulRahman	✓	✓	✓	✓	✓	✓	✓
Hassan Amin Jarrar	✓	✓	✓	✓	X	✓	✓

3.4 Audit, Compliance & Corporate Governance Committee Meetings and Attendance

Minimum Number of Meetings Required = 4

Members	01-Feb	26-Mar	06-May	10-Jul	12-Aug	22-Oct	04-Nov	11-Dec
Ebrahim Husain Aljassmi	✓	✓	✓	✓	✓	✓	✓	✓
Othman Ebrahim Al Askar	✓	✓	✓	✓	✓	✓	✓	✓
Muhammad Zarrug Rajab	✓	✓	✓	✓	X	X	✓	✓

3.5 Nomination & Remuneration Committee Meetings and Attendance

Minimum Number of Meetings Required = 2

Members	15-Jan	30-Jan	18-Feb	20-May	12-Dec
Dr. Esam Abdulla Fakhro	✓	✓	✓	✓	✓
Talal Ali Al Zain	✓	✓	✓	✓	✓
Mr. Ebrahim Husain Al Jassmi	✓	✓	✓	✓	✓

3.6 Evaluation of the Board and Each Committee

The Nomination and Remuneration Committee carried out an evaluation of the Board and its Committees through the distribution of questionnaires to each Board member, followed by an assessment of the Committees and Members. The Committee expressed its satisfaction with the positive results.

3.7 Board of Directors Remuneration and Sitting Fees

The Board of Directors are paid an annual remuneration as approved by the shareholders at the Ordinary General Meeting. While the amount of the remuneration is not directly linked to the performance of the Bank, factors such as the Bank's performance, industry comparison and the time and effort committed by the Directors to the Bank, are considered for determining the total remuneration. In addition, Directors are paid sitting fees for attending the various subcommittees of the Board of Directors. Non-resident directors are also entitled to travel expenses. Further details on the remunerations paid to Board as well as Senior Management are available in the Annual Report of the Bank.

4 Shari'a Supervisory Board

4.1 Composition

Shaikh Dr. Abdul Latif Mahmood Al Mahmood

Chairman of Shari'a Supervisory Board

Shaikh Al Mahmood is a Member of the Sharia'a Supervisory Board of Takaful International and ABC Islamic Bank, Kingdom of Bahrain; ABC Islamic Bank, London; and the Joint Sharia'a Supervisory Board of AlBaraka Group. He has been a Preacher at a number of Bahrain's mosques since 1973; and a lecturer in Quran interpretation, jurisprudence and preaching. Shaikh Al Mahmood is a regular participant in jurisprudence, educational, economic, intellectual, social and cultural conferences and seminars. He holds a PhD from the Shariah Al-Zaytuna College, Tunisia.

Shaikh Mohammed Jaffar Al Juffairi

Vice Chairman of Shari'a Supervisory Board

Shaikh Aljuffairi is a former Judge of the High Sharia'a Court of Appeal, Kingdom of Bahrain; and seconded as President of the High Sharia'a Court, Ministry of Justice. He is a Friday Imam and speaker.

Shaikh Adnan Abdulla Al Qattan

Shari'a Supervisory Board Member

Shaikh Al Qattan is a Preacher at the Ahmed Al Fateh Islamic Mosque. He is a Judge of the High Sharia'a, Ministry of Justice, Kingdom of Bahrain; a Puisne Justice of the High Sharia'a Court; and a lecturer at the Islamic Studies Department, University of Bahrain. Shaikh Al Qattan is Chairman of the Orphans and Widows Care Committee of the Royal Court; and the Pilgrimage Mission; and a Member of the Board of Directors of Sanabil for Orphan Care. He is a regular participant in Islamic committees, courses, seminars and conferences.

Shaikh Dr. Nedham Mohamed Saleh Yacoubi

Shari'a Supervisory Board Member

Shaikh Yacoubi is a Member of several Sharia'a Supervisory Boards around the world, including Bahrain Islamic Bank, Ithmaar Bank, Gulf Finance House and ABC Islamic Bank, Kingdom of Bahrain; Abu Dhabi Islamic Bank and Sharjah Islamic Bank, UAE; ABC Islamic Bank, London; and the Islamic Accounting Standards Organization, Bahrain. He is the recipient of numerous awards in the field of Islamic Finance. He has a doctorate in Islamic studies.

Shaikh Dr. Essam Khalaf Al Enizi

Shari'a Supervisory Board Member

Shaikh Al Enizi is a Member of Sharia'a and Islamic Studies Faculty at the University of Kuwait. He is a Member of the Sharia'a Supervisory Committee at Boubayan Bank, Al Sham Bank, and Investment Dar, Kuwait; He holds a PhD from the University of Jordan - Specialization Fiqh and the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

4.2 Objective

The main objective of Shari'a Supervisory Board is to advise the Bank on any Shari'a matter and to ensure compliance with the Shari'a tenets and requirements in their operations. The Shari'a Supervisory Board is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that the Bank is in compliance with Shari'a rules and AAOIFI.

4.3 The Shari'a Supervisory Board has established a Shari'a Coordination & Implementation function to assist the Bank in its day to day management of business. The Sharia Supervisory Board has also established an independent Internal Shari'a Audit that reports any exceptions to the Shari'a fatwas and guidelines.

Meetings & Participation

Members	06-Mar	14-May	03-Sep	01-Nov
Sh. Dr. Abdul Latif Al Mahmood	✓	✓	✓	✓
Sh. Mohammed Al Juffairi	X	✓	X	X
Sh. Adnan Al Qattan	✓	✓	✓	✓
Sh. Dr. Nedham Yacoubi	✓	X	✓	✓
Sh. Dr. Essam Al Enizi	✓	✓	X	✓

5 Executive Management

The management structure that clearly defines roles, responsibilities and reporting lines, is available in the annual report of the Bank. Within the management structure there are separate committees responsible to meet on a regular basis to discuss and decide on the various strategic and tactical issues within their respective areas.

Name & Designation	Profession	Experience in years	Qualification
Hassan Amin Jarrar <i>CEO</i>	Banker	30	BSc in Finance from California State University, San Jose.
Wesam A.Aziz Baqer <i>Head of Corporate Banking</i>	Banker	17	MSc (Economics) in Finance and Investment Management from the University of Aberdeen, Scotland. BS in Business Administration from the University of Bahrain. Certified Financial Adviser (CeFA).
Dalal Ahmed Al Qais <i>Head of Retail Banking</i>	Banker	17	MBA in Finance from AMA University. BSc in Business Management from the University of Bahrain.
Ameer Abdul Ghani Dairi <i>CFO</i>	Accountant	19	CPA from New Hampshire Board of Accountancy. Certified Management Accountant (CMA) licensed by the Chartered Institute of Management Accountants, USA. BSc in Accounting from University of Bahrain.
Fahim Ahmed Shafiqi <i>CRO</i>	Banker	20	Diploma in Islamic Finance (CDIF). MBA from University of Warwick, UK.
Eman Ali Abdulla Ebrahim <i>Head of Central Operations</i>	Banker	22	Associate Diploma in Accounting, University of Bahrain
Hussain Ebrahim Al Banna <i>Head of Treasury</i>	Banker	15	BSc in Banking & Finance from the University of Bahrain. Treasury & Capital Markets Diploma, BIBF.
Dawood Khalil Al Ashhab <i>Head of HR & General Services</i>	HR	19	BS in Public Administration. Certified coach from the Gallup University, UK.
Mahmood Qannati <i>Head of Marketing & Corporate Communication</i>	Marketing	18	MSc in Computer Based Information Systems from the University of Sunderland. BSc in Marketing from the University of Bahrain.
Osama Ali Nasr <i>Head of IT</i>	IT	21	MSc in Information Systems Management from the University of Liverpool. BSc in Computer Science from Al-Isra University, Jordan.

Khalid Mahmood <i>Head of Internal Audit</i>	Accountant	24	CPA from American Institute of Certified Public Accountants.
Mazar Rashed Jalal <i>Head of Compliance & Governance</i>	Banker	18	BSc in Accounting from the University of Bahrain. International Compliance Associate Diploma from UK. Diploma in Islamic Banking and Insurance from UK, Wales.
Mohammed Ayada Mattar <i>Money Laundering Reporting Officer</i>	Banker	14	Masters in Finance from AMA International University. Certified Anti-Money Laundering Specialist. Diploma in Governance, Risk & Compliance from International Compliance Association.
Maisa Jawdat Shunnar <i>Head of Strategy Implementation & Transformation</i>	Strategy Implementation & Transformation	19	BSc in Business Administration majoring in Computer Information Systems from University of Houston (Texas, USA). Masters of Business Communication & Leadership, Jones International University, Colorado, USA.
Hamad Farooq Al-Shaikh <i>Head of Sharia Coordination & Implementation</i>	Banker	14	Master degree of Sharia At ALEmam ALAwzaie University in Lebanon Chartered Islamic Finance Professional Advanced Diploma in Islamic Commercial Jurisprudence Bachelor Degree in Law and Sharia from Qatar University
Eman Mohammed AlBinghadeer <i>Head of Internal Sharia Audit</i>	Banker	14	Professional Diploma in Sharia Auditing – CIBAFI. CSIA – Certified Specialist in Islamic Accounting – CIBAFI. CIB – Certified Islamic Banker – CIBAFI. CSAA – Certified Sharia Adviser and Auditor – AAOIFI. Diploma in Computing and Business Studies – Bournemouth University and Technology Centre – UK.

5.1 Management Committees

Committee	Members	Objectives
Management Committee (MANCO)	<p>Hassan Amin Jarrar Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • <i>Wesam A. Aziz Baqer</i> • <i>Dalal Ahmed Al Qais</i> • <i>Ameer Abdul Ghani Dairi</i> • <i>Fahim Ahmed Shafiqi</i> • <i>Eman Ali Abdulla Ebrahim</i> • <i>Dawood Khalil Al Ashhab</i> • <i>Mahmood Qannati</i> • <i>Osama Ali Nasr</i> • <i>Mazar Rashed Jalal</i> • <i>Maisa Jawdat Shunnar</i> 	<p>MANCO is the highest management body that reviews the Bank's strategy implementation. In addition, the Committee also plays a significant role in establishing the policies, procedures and frameworks covering risk management, compliance, retail and corporate banking. The Committee also monitors the performance of business, support and control functions of the Bank.</p>

<p>Asset & Liability Committee (ALCO)</p>	<p>Ameer Abdul Ghani Dairi Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Hassan Amin Jarrar • Dalal Ahmed Al Qais • Fahim Ahmed Shafiqi • Hussain Ebrahim Al Banna • Wesam A.Aziz Baqer 	<p>The purpose of Asset & Liability Committee is to act as a decision making body and guiding force responsible for balance sheet planning from risk return perspective, including strategic management of yield and liquidity risks.</p>
<p>Credit & Investment Committee (C&IC)</p>	<p>Hassan Amin Jarrar Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Wesam A.Aziz Baqer • Dalal Ahmed Al Qais • Fahim Ahmed Shafiqi (Dissenting Vote) 	<p>C&IC determines the Credit & Investment Policy of the Bank, identified possible risks assumed by the Bank for different types of transactions. The C&IC has the authority to make a decision on approval or rejection or proposed transactions within its authority as well as to monitor the performance and quality of the Bank's credit & Investment portfolios.</p>
<p>Qard Al Hassan, Donation & Zakah Committee</p>	<p>Members</p> <ul style="list-style-type: none"> • Hamad Farooq AlShaikh • Khaled Waheeb AlNasser • Nada Ishaq Abdul Karim • Hamad Al Bassam 	<p>The main objective of Qard Al Hassan, Donation and Zakah Committee is to discharge the Group's social responsibilities toward its society through distributing zakah, charity funds, donations & good faith Qard for marriage, medical treatments, etc.</p>
<p>Provisioning Committee (PC)</p>	<p>Fahim Ahmed Shafiqi Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Ameer Abdul Ghani Dairi • Khalid Mahmood (Observer) • Saleh Al Mehri (Secretary) 	<p>Provisioning Committee reviews the Bank's provisions as well as formulates policies with a view to maintain the strategic risk level objectives.</p>
<p>Operational Risk Committee (ORC)</p>	<p>Fahim Ahmed Shafiqi Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Sohail Kabeer • Wesam A.Aziz Baqer • Dalal Ahmed Al Qais • Ameer Abdul Ghani Dairi • Eman Ali Abdulla Ebrahim • Dawood Khalil Al Ashhab • Osama Ali Nasr • Mazar Rashed Jalal 	<p>The purpose of the Operational Risk Committee is to:</p> <ol style="list-style-type: none"> a) Oversee and review the Bank's operational risk framework. b) Assist the management in fulfilling its operational risk management responsibilities as defined by applicable laws and regulations.

6 Succession Planning

Succession planning in the Bank is driven by our Business strategy and forward looking approach. The primary objective of the plan is to develop people to meet future demands of the Bank. On an annual basis, the Human Resources Department of the Bank reviews and consults the Board's Nomination & Remuneration Committee to ensure availability of a practical and executable succession plan.

7 Related Party Transactions and Conflict of Interest

Under the Bahrain Commercial Companies Law and the Central Bank of Bahrain's regulations are required to disclose potential conflicts as well as refrain from participating in any conflicted decisions. This includes potential conflicts that may arise when a Director takes up a position with another company or has any material transactions with the Bank. In addition, exposures to major shareholder, directors and senior management are governed by the regulations of the Central Bank of Bahrain.

Related party transactions are entered into in compliance with Article 189 of the Commercial Companies Law. All material service providers are selected following a satisfactory tendering process which is governed by the vendor management policy of the Bank. Any director or member of the senior management conflicted is excluded throughout the decision making process. Details of related party transactions, carried out at arm's length, are disclosed in Note 26 of the financial statements.

8 Material Transactions Requiring Board Approval

The Board has delegated certain authorities to the Executive Management to ensure smooth and effective day to day management however, all material financing transaction, as provided in the delegation of authority matrix of the Bank, are subject to Board approval. Furthermore, major decisions such as change in strategy, changes in the organization structure, capital expenditures, amending policies and hiring executive management is subject to either Board or relevant Board committees.

9 Exceptions to CBB's Corporate Governance Regulations

Banks are required to comply with the High Level Controls (HC) Module of the CBB Rulebook. The HC Module contains both Rules and Guidance; Rules must be complied with, but Guidance may either be complied with or non-compliance explained to the shareholders and to the CBB. Exceptions to guidance are explained as follows:

Reference	Explanation
HC-1.3.13	HC-1.3.13 states that no one person should hold more than three directorships in public companies in the Kingdom of Bahrain, with the provision that no conflict of interest may exist. Dr. Essam Abdulla Fakhro, the Chairman of the Board, holds more than three directorships in public companies in the Kingdom of Bahrain. The Board is of the opinion that this does not impact the effectiveness and efficiency of the Board of Directors, as he provides adequate attention to his responsibilities and there is no conflict of interest between his other directorships and that of the Bank.
HC-1.4.6	HC 1.4.6 states that the Chairman of the Board of Directors should be an independent director. The Bank's Chairman, Dr. Essam Abdulla Fakhro is nominated by the National Bank of Bahrain (NBB) which is a Controller of the Bank. Accordingly, Dr. Fakhro is reported as a Non-Independent Director. The Board is of the view since BisB has no business transactions with NBB, there exist no conflict of interest and therefore, the chairmanship of Mr. Fakhro is appropriate.

HC-1.8.2	HC-1.8.2 states that the Board should establish a Corporate Governance Committee of at least three independent members and HC-1.8.5 allows combination of committees. The Bank has combined the responsibility of the Corporate Governance Committee with that of the Audit Committee. The Board is of the view that this does not compromise the high standards of corporate governance as the Audit Committee has sufficient resources and time to discharge its duties and holds sufficient number of meetings to fulfil its responsibilities.
HC-5.3.2	HC-5.3.2 states that the Remuneration Committee should include only independent directors or, alternatively, only non-executive directors of whom a majority are independent directors and the chairman is an independent director. The Remuneration Committee of the Bank is combined with the Nomination Committee as allowed under HC-1.8.5. The Chairman of the Nomination & Remuneration Committee, Dr. Essam Abdulla Fakhro, is treated as Non-Independent on the basis that his nomination is through NBB, a Controller of the Bank. The Board is of the view that since the remuneration of the Board is governed by the Bahrain Commercial Company Law, there exist no conflict of interest in Dr. Fakhro being the Chairman of the Board.

10 Employments of Relatives

The Bank has a policy in place on employment of relatives to prevent the potential conflict of interest. As a matter of policy, employment of relatives is not allowed however, in case of any exception, the approval of the Board's Nomination & Remuneration Committee is sought.

11 Remuneration of the External Auditors

KPMG Fakhro was the Bank's external auditors for the financial year ended 31 December 2018. The details of the audit fee paid to the auditors during the year 2018 as well as the details of non-audit services and fees paid are held at the Bank's premises, which is available to eligible shareholders upon specific request.

12 Information on Products & Services & Availability of Financial Information

New product information, announcements and information related to all stakeholders are made available in a timely manner through various channels of communication which may include publications, website, direct mailers, electronic mail and local media. In addition, the Consolidated Financial Statements of at least past 5 years in addition to all supplementary disclosures required by CBB regulations, are available in the Bank's website.

13 Customer Complaints

The Quality Assurance Department is responsible for managing customer complaints. BisB customers may use the Bank's website or the call center for lodging a complaint. All complaints are logged, monitored and reported to the CBB. A user friendly guide is made available to customers by way of a conspicuous notice and Bank's website.

14 Whistle Blower Policy

The Board has adopted a Whistle Blower Policy which provides all employees an opportunity to raise any observation regarding unethical and improper practices or any other wrongful conduct of a financial or legal nature in the Bank and to prohibit managerial personnel from taking any adverse action against employees for doing so.

15 Shareholders Ownership of 5% and above

Shareholder	Nationality	Number of Shares	Percentage	Type of Ownership
Social Insurance Organization	Bahrain	309,209,172	29.06%	Sovereign
National Bank of Bahrain	Bahrain	309,206,266	29.05%	Majority Sovereign
Islamic Development Bank	KSA	153,282,138	14.41%	Sovereign
Kuwait Awqaf Public Foundation	Kuwait	76,273,875	7.17%	Sovereign

Note: No other shareholder owns 5% or more shares of the Bank

16 Distribution of Ownership of Shares by Nationality

Country	Percentage	Number of Shares
Kingdom of Bahrain	72.76%	774,222,968
Kingdom of Saudi Arabia	15.32%	163,023,180
Kuwait	8.73%	92,853,577
United Arab Emirates	2.95%	31,372,134
Qatar	0.13%	1,381,185
Others	0.011%	1,205,543
Total	100.00%	1,064,058,587

17 Changes in Distribution of Ownership shares of Directors, Shari'a Members and Approved Persons

Directors	Shares as of 31 st Dec 2017	Sold During 2018	Acquired During 2018	Shares as of 31 st Dec 2018
Dr. Esam Abdulla Fakhro	50,000	0	2,500	52,500
Brig. Ebrahim Abdulla Al Mahmood	0	0	0	0
Mohammed Ahmed Abdulla Al Khaja	0	0	0	0
Khaled Yusuf AbdulRahman	0	0	0	0
Talal Ali Al Zain	0	0	0	0
Khalil Ebrahim Nooruddin	0	0	0	0

Ebrahim Husain AlJassmi	192,044	0	9,602	201,646
Othman Ebrahim Al Askar	88,044	0	4,402	92,446
Muhammad Zarrug Rajab	134,232	0	6,711	140,943
Shari'a Supervisory Board	Shares as of 31st Dec 2017	Sold During 2018	Acquired During 2018	Shares as of 31st Dec 2018
Shaikh Dr. Abdul Latif Mahmood Al Mahmood	169,124	0	8,456	177,580
Shaikh Dr. Nedham Mohamed Saleh Yacoubi	12,607	0	630	13,237
Shaikh Mohammed Jaffar Al Juffairi	0	0	0	0
Shaikh Adnan Abdulla Al Qattan	0	0	0	0
Shaikh Dr. Essam Khalaf Al Enizi	0	0	0	0
Executive Management	Shares as of 31st Dec 2017	Sold During 2018	Acquired During 2018	Shares as of 31st Dec 2018
Hassan Amin Jarrar <i>CEO</i>	336,837	73,597	563,817	827,057
Wesam A.Aziz Baqer <i>Head of Corporate Banking</i>	70,769	0	85,759	156,528
Dalal Ahmed Al Qais <i>Head of Retail Banking</i>	0	0	0	0
Khalid Mahmood <i>Head of Internal Audit</i>	77,729	0	62,609	140,338
Ameer Abdul Ghani Dairi <i>CFO</i>	0	0	0	0
Fahim Ahmed Shafiqi <i>CRO</i>	4,030	0	61,906	65,936
Dawood Khalil Al Ashhab <i>Head of HR & General Services</i>	0	53,603	53,603	0
Eman Ali Abdulla <i>Head of Central Operations</i>	0	0	0	0
Hamad Farooq AlShaikh <i>Head of Sharia Coordination & Implementation</i>	0	0	0	0
Eman Mohammed AlBinghadeer <i>Head of Shari'a Internal Audit</i>	0	0	0	0

Mahmood Qannati <i>Head of Marketing & Corporate Communications</i>	0	0	4,500	4,500
Hussain Ebrahim Al Banna <i>Head of Treasury</i>	0	0	0	0
Osama Ali Nasr <i>Head of IT</i>	0	0	12,675	12,675
Maisa Jawdat Shunnar <i>Head of Strategy Implementation & Transformation</i>	0	0	0	0
Khaled Waheeb AlNasser <i>Head of Internal Control</i>	0	0	0	0
Nayef Naser Yusuf <i>Head of Special Assets</i>	13,699	0	684	14,383
Mazar Jalal <i>Head of Compliance & Governance</i>	0	0	0	0
Mohammed Ayada Matar <i>Money Laundering Reporting Officer</i>	0	0	0	0
Hamad Hussain Al Qattan <i>Deputy Money Laundering Reporting Officer</i>	0	0	0	0

As of 31st December 2018, the total number of shares held by Board of Directors, Shari'a Supervisory Board members and the Executive Management of the Bank are 1,899,769 which represents 0.18% of the total issued shares of the Bank.

The shares held by the Executive Management includes shares granted by the Bank under the Share Incentive Scheme. Further disclosures on remunerations, including the Share Incentives, are available in the Annual Report of the Bank.