

# Corporate Governance report

**Good corporate governance is considered central to achieving the Bank's objectives, and fundamental in maintaining a leading position within the local and regional banking sectors.**

BBK takes pride in ensuring exceptional standards of corporate governance are met. Our corporate governance policy is underpinned by international standards of best practice.

## Initiatives in 2017

The organisational structure was further amended to ensure independence of the Compliance function, which now reports to the Board's Audit Committee, itself renamed as the Audit and Compliance Committee. The evaluation process for the Board and its committees was successfully completed, with recommendations for improvement such as focusing on strategic initiatives and continuing to update its knowledge.

The Board members were also given access to an e-learning platform to pursue further training if required. The Board approved a new Board committee, the Independent Directors' Committee, and approved its terms of reference to provide an independent view on issues discussed by the Board, and also to protect minority shareholder interests as they are not represented on the Board. The Board reviewed the Board Charter, Board Committees' Terms of Reference, the Corporate Governance framework, and other relevant policies to ensure they stay up to date and relevant.

## Corporate governance philosophy

BBK shall continue its endeavour to enhance shareholders' value, protect their interests, and defend their rights by practising the pursuit of excellence in corporate life. The Bank shall not only comply with all statutory requirements – including the Corporate Governance Code of the Kingdom of Bahrain and the High Level Controls Module of the Central Bank of Bahrain – but also formulate and adhere to strong corporate governance practices.

BBK shall continuously strive to best serve the interests of its stakeholders, including shareholders, clients, employees, and the public at large.

The adoption and implementation of corporate governance is the direct responsibility of the Board of Directors, and this endeavour is in line with the policies of regulatory authorities and statutory requirements in the Kingdom of Bahrain and other countries where BBK operates.

## Risk appetite statement

Risk appetite is the level and type of risk that the Bank is willing to assume in order to achieve its strategic and business objectives, keeping in perspective the obligations to its stakeholders.

The risk appetite of the Bank is both a qualitative and quantitative measure, and reflects its level of risk tolerance in normal as well as in stressed scenarios. It is expressed as a measurable key performance indicator (KPI), a tolerance limit, or as a qualitative guideline.

The Bank has a well-defined Risk Appetite Framework, that consists of the Risk Appetite Statement along with: (a) well-defined performance metrics in the form of Key Performance Indicators or KPIs; (b) risk limits, exposure criteria, restrictions and controls, lending and investment standards as laid out in the internal risk policies and procedures manual; (c) capital and liquidity benchmarks, which are monitored in the Asset Liability Management Committee meetings; (d) key business and risk management objectives, goals and strategy, which are defined in business, investment and risk management strategies; and (e) management and oversight structures in the Bank through Management and Board committees. Our risk appetite defines the desired performance levels, which, in turn, are embedded into management of the various risks within the Bank as well as the capital of the Bank. Our risk appetite is integrated into the strategic, capital, and risk management planning process across business verticals.

The Bank measures the contribution of each business vertical towards key KPIs.

The Bank aims to optimise the risk-reward for the benefit of all stakeholders, and this is reviewed and implemented through strategies (business, investment, risk management, ICAAP), which are closely reviewed annually. The Bank's primary exposure is to credit risk along with other Pillar 1 and Pillar 2 risks assumed in the normal course of its business. The risk appetite statement is also reviewed through a Risk Management Strategy document by management, and recommended for approval to the Risk Committee and the Board annually. The Bank's risk appetite requires, amongst other things:

- A high level of integrity, ethical standards, respect and professionalism in our dealings.
- Taking only those risks which are transparent and understood, and those which can be measured, monitored, and managed.
- Ensuring that the Bank has adequate levels of capital adequacy on an ongoing basis as mandated by the regulator (currently 12.5 percent), and as assessed by the Bank in its ICAAP document; that the capital requirements and capital planning are incorporated in its capital management strategy.
- Ensuring that the Bank has access to adequate levels of stable, efficient, and cost-effective funding to support liquidity and lending or investing requirements on an ongoing basis; that the Bank has in place a robust liquidity management framework and contingency plans to monitor and manage liquidity both in normal and stress liquidity conditions, in addition to monitoring key liquidity ratios (internal and regulatory) in Asset Liability Management Committee meetings on a monthly basis.
- Adhering to the core principles of lending, which are enshrined in the general lending policy of the Bank.
- Maintaining a robust credit management framework with focus on geographies where the Bank has physical presence (Kuwait, India, Dubai), GCC, and select MENA and other countries; undertaking exposures to countries within the directives of the Country Risk Committee, which reviews country risk and the Bank's strategy in those countries on a dynamic basis.
- Having in place a defined monitoring, collection and restructuring framework for effective recovery mechanism.
- Limiting exposures to high-risk activities which may culminate in tail-end risks, jeopardising the Bank's capital and creditworthiness.
- Striving for optimum profitability through income generation, cost efficiency, and low impairment.
- Widening the product basket and delivery channels for increasing customer satisfaction; assessing new credit products in a structured form for approval by appropriate authorities, so that the underlying risks, benefits, operational processes, system/technology requirements, and legal requirements are understood and managed.
- Protecting the Bank's and the customers' interests through robust operational procedures, internal controls, system support, training and operational risk management processes to mitigate operational risk.
- Ensuring full compliance with legal, statutory, and regulatory requirements; ensuring adherence to anti-money laundering (AML) and other obligations under international law; providing adequate training and guidance to mitigate compliance and AML risks.

## Shareholder information

BBK's shares are listed on the Bahrain Bourse. The Bank has issued 1,081,647,952 equity shares, each with a face value of 100 fils. All shares are fully paid.

## Annual Ordinary General Meeting and Extraordinary General Meeting

The Annual Ordinary General Meeting (AGM) and Extraordinary General Meeting (EGM) were held on 29 March 2017. The EGM resolved to approve increasing the Bank's branch in the State of Kuwait's paid up capital from KD 6MM to KD 15MM.

The EGM approved amendment to the Bank's Articles of Association to enable the Bank to issue perpetual convertible bonds. The shareholders approved 5 Board members appointed by major shareholders, and elected 7 more members to total 12 members on the Board. The minutes of the AGM and EGM are published in this annual report.

The Bank submits a corporate governance report to the AGM annually, covering the status on compliance with the related regulatory requirements. The Bank discloses and/or reports to the shareholders at the AGM the details under the Public Disclosure module of the Central Bank of Bahrain's Rule Book. Such disclosures include the total remuneration paid to the Board of Directors, the executive management and the external auditors. The total amount paid to directors and executive management is also contained in the annual report.

## Board of Directors' information

### Board composition

The Board's composition is based on the Bank's Memorandum of Association and Articles of Association, and comprises 12 members. The Board represents a mix of high-level professional skills and expertise. Furthermore, in compliance with corporate governance requirements, the Board Committees consist of members with adequate professional background and experience. Consequently, the Board has five independent Directors. The Board periodically reviews its composition and the contribution of Directors and Committees.

The appointment of Directors is subject to CBB approval. The classification of 'Executive' Directors, 'Non-Executive' Directors and 'Independent Non-Executive' Directors is as per definitions stipulated by the CBB. The current term of the Board started in March 2017 and ends in March 2020.

Directors are elected/appointed by shareholders at the AGM. Experts who are non-shareholders or promoters of the Bank may also be elected as Directors. Election or re-election of a Director at the AGM shall be accompanied by a recommendation from the Board, based on a recommendation from the Nomination, Remuneration, and Corporate Governance Committee, with specific information such as biographical and professional qualifications and other directorships held.

### Group Corporate Secretary

The Board is supported by the Group Corporate Secretary, who provides professional and administrative support to the General Assembly, the Board, its Committees and members. The Group Corporate Secretary also assumes the responsibilities of the Group Corporate Governance Officer, and in this context supports the processes of performance evaluation for the Board, the Board Committees, and individual Directors as well as the process of access to independent advice and other relevant issues on a Group level. The appointment of the Group Corporate Secretary is subject to the approval of the Board.

BBK's Group Corporate Secretary is Ahmed A. Qudoos Ahmed, who joined the Bank in 2009. His qualifications include a BSc in Engineering from the University of Bahrain in 1996, he is qualified in Board Secretarial practices from George Washington University and he has attended many advance training programmes in corporate governance both in Bahrain and abroad, accumulating over 21 years of experience in the financial sector.

### Directors' roles and responsibilities

The Board of Directors oversees the implementation of the Bank's strategic initiatives and its functioning within the agreed framework, in accordance with relevant statutory and regulatory structures. The Board ensures the adequacy of financial and operational systems and internal control, as well as the implementation of Corporate Ethics and the Code of Conduct.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rest with the Board. This includes strategic issues and planning, performance reviews, material acquisition and disposal of assets, capital expenditure, authority levels, appointment of auditors, and review of the financial statements, financing and borrowing activities including annual operating plan and budget, ensuring regulatory compliance, and reviewing the adequacy and integrity of internal controls.

The Board shall exercise judgement in establishing and revising the delegation of authority for Board Committees and Management. This delegation could be for authorisation of expenditure, approval of credit facilities, and for other corporate actions. Such delegation may be approved and expressed under various policies of the Bank. The thresholds for the identified authorities will depend upon the operating requirements of the Bank.

## Shareholders

Name	Country of origin	Number of shares	% holding
Citizens of the Kingdom of Bahrain and Others	–	246,605,845	22.79
Ithmaar Bank	Kingdom of Bahrain	274,493,028	25.38
Social Insurance Organization (SIO)			
– Formerly Pension Fund Commission	Kingdom of Bahrain	203,020,288	18.77
– Formerly General Organization for Social insurance (GOSI)	Kingdom of Bahrain	144,294,820	13.34
Kuwait Investment Authority	State of Kuwait	202,229,987	18.70
Global Investment House	State of Kuwait	11,003,984	1.02

## Distribution schedule of each class of equity

Category	Number of shares	Number of shareholders	% of outstanding shares
Less than 1%	246,605,845	2,377	22.79
1% to less than 5%	11,003,984	1	1.02
5% to less than 10%	–	–	–
10% to less than 20%	549,545,095	3	50.81
20% to less than 50%	274,493,028	1	25.38
50% and above	–	–	–

## Corporate Governance report continued

The issues of major capital expenditure, divestitures, mergers and acquisitions, and certain strategic investments would be within the Board's authority.

Each Director holds the position for three years, after which he must present himself to the Annual General Meeting of shareholders for reappointment. The majority of BBK Directors (including the Chairman and/or Deputy Chairman) are required to attend Board meetings in order to ensure a quorum. The Board Charter is published on the Bank's website.

### Material transactions that need Board approval

Lending transactions to Directors, at a certain level of exposure, require Board approval. Also credit and investment applications exceeding certain pre-defined exposure levels require approval of the Board.

Similarly, related party transactions relating to members of the Board require approval of the Board.

### Independent professional assistance

The Bank has procedures approved by the Board for allowing Board members to obtain independent professional advice relating to the affairs of the Bank or to their individual responsibilities as members, subject to approval by the Board.

### Directors' induction and professional development

The Board is required to be up to date with current business, industry, regulatory, and legislative developments and trends that affect the Bank's business operations. Immediately after appointment, the Bank provides formal induction for a full day, and this year it was held on 30 March 2017.

Meetings will also be arranged with executive management. This will foster a better understanding of the business environment and markets in which the Bank operates. A continuing awareness programme is essential and it may take many different forms, through distribution of publications, workshops, presentations at Board meetings and attendance at conferences encompassing topics on directorship, business, industry, and regulatory developments. As per the Training and Competency Model of the CBB, each approved person (including members of the Board of Directors) is required to complete 15 hours of continued professional development.

### Board and Committee evaluation

The Board performs a self-evaluation on an annual basis. The Board annually reviews its Charter and its own effectiveness, and initiates suitable steps for any amendments. The Board will also review self-evaluations of individual Board members and the Board Committees and consider appropriately any recommendations arising out of such evaluation. The relevant policy is published on the Bank's website.

### Remuneration of Directors

The Board has adopted a remuneration policy for Directors with well-defined procedures to apply to the Directors' various remuneration and compensation components, reflective of their involvement and contributions in the activities of the Board of Directors and its ad hoc, temporary and permanent committees. The basic guideline of the policy is that participation would be considered in terms of attendance at meetings. Participation in a meeting via telephone/video conference shall be considered an attendance of the meeting. Members of the Board are treated equally when they are compensated for additional work or effort in their participation. Directors' remuneration is governed by Commercial Companies Law No 21 for the year 2001, and therefore all payments comply with the provision of the law.

### Whistle-blowing policy

The Bank has a whistle-blowing policy with designated officials whom the employee can approach.

The policy provides adequate protection for the employees for any reports made in good faith. The Board's Audit Committee oversees this policy. The whistle-blowing policy is published on the Bank's website.

### Key persons (KP) policy

The Bank has established a 'Key Persons' policy to ensure that key persons are aware of the legal and administrative requirements regarding holding and trading of BBK shares, with the primary objective of preventing abuse of inside information. Key persons are defined to include the Directors, executive management, designated employees, and persons under guardianship or control of Key Persons. The ownership of the Key Persons policy is entrusted to the Board's Audit Committee. The Key Persons policy is posted on the Bank's website.

### Code of Conduct

The Board has an approved Code of Conduct for BBK Directors. The Board has also approved a Code of Ethics for the Executive Management and employees. These codes outline areas of conflict of interest, confidentiality, and the responsibilities of signatories to adhere to best practices. The high-level responsibility for monitoring the codes lies with the Board of Directors. The Directors' Code of Conduct is published on the Bank's website.

### Relative Recruitment/Appointment Policy

The Bank has in place policies that govern the recruitment/appointment of relatives in the Bank and across its wholly owned subsidiaries. The policies are as follows:

1. Employment of relatives of first and second degrees shall be prohibited, whereas employment of relatives of third and fourth degree may be approved by the management provided it does not lead to a conflict of interest.
2. Employment of relatives at the Bank's fully owned subsidiaries of first and second degree shall be prohibited for Senior Managers and above; any exception must be approved by the Chief Executive.

As part of the annual reporting, the Chief Executive must disclose to the Board of Directors on an annual basis those individuals who are occupying controlled functions and who are relatives of any other approved persons within the Bank and its wholly owned subsidiaries.

### Conflict of interest

The Bank has a documented procedure for dealing with situations involving conflict of interest of Directors. In the event of the Board or its Committees considering any issues involving conflict of interest of Directors, decisions are taken by the full Board/Committees.

The concerned Director shall leave the meeting room during the discussion of these issues. These events are recorded in the Board/Committee proceedings. The Directors are required to inform the entire Board of conflicts of interest (potential or otherwise) in their activities with, and commitments to, other organisations as they arise, and to abstain from voting on the matter. This disclosure includes all material facts in the case of a contract or transaction involving the Director.

## Development programmes arranged for Board members during 2017

Key: ⊙ Attended ○ Absent

Board of Directors	Course: "Independent board members definition – role and function"	Course: "Impact of cyber risk and the importance of cyber security"	Course: "The role of the Board in setting and reviewing implementation of the strategy for the organization"	Course: "Blockchain, what it is, how it can affect our business and future outlook"	Course: "Training on BoardWorks"	Course: "Board performance evaluation"	Other training hours or outside the Bank
	Date: 22/5/2017 2.5 hours	Date: 22/5/2017 2.5 hours	Date: 18/09/2017 2.5 hours	Date: 18/09/2017 2.5 hours	Date: 20/11/2017 2.5 hours	Date: 20/11/2017 2.5 hours	
Murad Ali Murad	⊙	⊙	⊙	⊙	⊙	⊙	–
Aref Saleh Khamis*	○	○	○	○	○	○	More than 15 hours
Mohamed A. Rahman Hussain*	⊙	⊙	⊙	⊙	○	⊙	9 hours
Jassem Hasan Ali Zainal	⊙	⊙	○	○	⊙	⊙	–
Dr. Zakareya Sultan AlAbbasi*	○	○	○	○	○	○	6 hours
Sh. Abdulla Khalifa Salman Al-Khalifa*	○	○	○	○	○	○	More than 15 hours
Sh. Khalifa Bin Duajj Al Khalifa	○	○	○	○	○	○	More than 15 hours
Marwan Mohammed Al Saleh*	⊙	⊙	⊙	⊙	○	○	More than 15 hours
Yusuf Saleh Khalaf*	⊙	⊙	⊙	⊙	○	⊙	1 hour
Edrees MUSAED Ahmad*	⊙	⊙	○	○	⊙	⊙	More than 15 hours
Hani Ali Al Maskati	⊙	⊙	⊙	⊙	○	⊙	–
Ashraf Adnan Bseisu*	⊙	⊙	⊙	○	⊙	⊙	13 hours

\* Attended other training sessions or sessions outside the Bank

## Corporate social responsibility

BBK's contribution towards the well-being of the community is an integral part of its corporate role. This corporate social responsibility is translated by the Bank through annual appropriation of a budget allocated for donations to finance community-related projects and initiatives. The projects may vary in nature but ought to fall into any one of the following fields: charity, culture, research, education, philanthropy, environmental protection, and sports.

BBK has an approved high-level donation policy for the distribution of the donation budget. The policy outlines guiding principles and sets criteria for the evaluation and selection of donation requests, with the ultimate objective of maximising the return on both the Bank's social image and the benefit of the community.

## Disclosures relating to the Board of Directors

### Directors' external appointments

Murad Ali Murad		
Chairman of the Board	Bahrain Kuwait Insurance Company (BSC)	Kingdom of Bahrain
Vice Chairman	Bahrain Institute of Banking & Finance (BIBF)	Kingdom of Bahrain
Chairman of the Board	Al Janabeya Company WLL (Family Company)	Kingdom of Bahrain
Aref Saleh Khamis		
Undersecretary	Ministry of Finance	Kingdom of Bahrain
Chairman	Social Insurance Organization (SIO)	Kingdom of Bahrain
Deputy Chairman	Future Generation Fund – Ministry of Finance	Kingdom of Bahrain
Deputy Chairman	Bahrain – Qatar Causeway Foundation	Kingdom of Bahrain
Member	Rashid Equestrian & Horse Racing Club	Kingdom of Bahrain
Member	Supreme Council for Health	Kingdom of Bahrain
Member	Sh Mohammed bin Khalifa bin Salman Al Khalifa Cardiac Centre	Kingdom of Bahrain
Member	King Hamad Hospital Consultative Board	Kingdom of Bahrain
Mohamed Abdulrahman Hussain		
Vice-Chairman and Chairman of Executive Committee	Eskan Bank BSC	Kingdom of Bahrain
Board Member	Investcorp Saudi Arabia Financial Investment Company	Kingdom of Saudi Arabia
Board Member	The K Hotel WLL	Kingdom of Bahrain
Board Member and Chairman of Audit Committee	Gulf Union Insurance and Reinsurance Company BSC	Kingdom of Bahrain

## Corporate Governance report continued

### Directors' external appointments (continued)

Jassem Hasan Ali Zainal		
Vice Chairman and CEO	Arzan Financial Group for Financing and Investment	State of Kuwait
Deputy Chairman and Acting CEO	Addax Investment Bank	Kingdom of Bahrain
Board Member	Kuwait International Bank	State of Kuwait
Board Member	Al-Masah Capital Limited	Dubai, UAE
Board Member	Miami International Securities Exchange LLC (MIAX)	United States of America
Dr Zakareya Sultan AlAbbasi		
Board Member	Osool Asset Management BSC	Kingdom of Bahrain
Board Member	Eskan Bank BSC	Kingdom of Bahrain
Sh Abdulla bin Khalifa bin Salman Al Khalifa		
Chief Executive Officer	Osool Asset Management BSC	Kingdom of Bahrain
Chairman	Securities & Investment Company (SICO) BSC	Kingdom of Bahrain
Board Member and Chairman of the Executive Committee	Amlak Social Insurance Organization Development Company SPC	Kingdom of Bahrain
Board Member and Chairman of the Executive Committee	Bahrain Marina Development Company SPC	Kingdom of Bahrain
Board Member and Chairman of the Executive Committee	Amanat Holdings PJSC	United Arab Emirates
Sh Khalifa bin Duajj Al Khalifa		
President	Court of HRH the Crown Prince	Kingdom of Bahrain
Board Member	Crown Prince's International Scholarship Programme	Kingdom of Bahrain
Board Member	Isa Bin Salman Educational Charitable Trusts	Kingdom of Bahrain
Board Member	Palm Capital Company WLL	Kingdom of Bahrain
Board Member	Arab Thought Foundation	Lebanon
Marwan Mohammed Al Saleh		
Director of Fixed Income	Kuwait Investment Authority	State of Kuwait
Edrees MUSAED Ahmad		
Assistant Investment Manager	Kuwait Investment Authority (KIA) Employee	State of Kuwait
Hani Ali Al Maskati		
Co-Founder & Managing Partner	Cash Management Matters - CMM	Kingdom of Bahrain
Board Member	Al Ahlia Insurance Company	Kingdom of Bahrain
Chairman of Audit committee Member of Nomination, Remuneration & Governance Committee		
Chairman of the Audit Committee	Solidarity Saudi Takaful Company	Kingdom of Saudi Arabia
Board Member	Blu Solution Limited	British Virgin Islands
Yusuf Saleh Khalaf		
Managing Director	Vision Line Consulting WLL	Kingdom of Bahrain
Ashraf Adnan Bseisu		
Group Chief Executive	Solidarity Group Holding Company (B.S.C.)	Kingdom of Bahrain
Chairman	Solidarity First Insurance Company (P.L.C)	Hashemite Kingdom of Jordan
Vice Chairman	Solidarity General Takaful Company (B.S.C.)	Kingdom of Bahrain
Board Member	Solidarity Saudi Takaful Company	Kingdom of Saudi Arabia
Board Member	Bahrain Institute of Banking & Finance (BIBF)	Kingdom of Bahrain
Board Member	Trustees of the Human Resources Development Fund	Kingdom of Bahrain

## Directors' and related parties' interests

The number of securities held by Directors as of 31 December 2017 was as follows:

Name of Director	Type of shares	31 Dec 2017	31 Dec 2016	Bonds	
				31 Dec 2017	31 Dec 2016
Murad Ali Murad	Ordinary	853,977	853,977	197,778	197,778
Aref Saleh Khamis	Ordinary	-	-	-	-
Mohamed Abdulrahman Hussain	Ordinary	153,402	153,402	-	-
Jassem Hasan Ali Zainal	Ordinary	190,286	190,286	30,000	30,000
GOSI/Dr Zakareya Sultan AlAbbasi <sup>(1)</sup>	Ordinary	127,050	127,050	11,746	11,746
Sh Abdulla bin Khalifa bin Salman Al Khalifa	Ordinary	127,050	127,050	50,000	50,000
Sh Khalifa bin Duajj Al Khalifa	Ordinary	138,326	138,326	-	-
Marwan Mohammed Al Saleh	-	-	-	-	-
Kuwait Investment Authority/Mutlaq Mubark Al Sanei <sup>(2)</sup>	Ordinary	127,050	127,050	11,746	11,746
Ithmaar Bank/Elham Ebrahim Hasan <sup>(3)</sup>	Ordinary	127,050	127,050	11,746	11,746
Yusuf Saleh Khalaf	Ordinary	152,050	152,050	39,057	39,057
Ithmaar Bank/Hassan Mohammed Mahmood <sup>(3)</sup>	Ordinary	127,050	127,050	11,746	11,746

(1) Shares related to Dr Zakareya Sultan AlAbbasi are part of the whole shares of the General Organisation for Social Insurance (GOSI) ownership.

(2) Shares related to Mutlaq Mubarak Al Sanei are part of the whole shares of the Kuwait Investment Authority ownership.

(3) Shares related to Elham Ebrahim Hasan and Hassan Mohammed Mahmood are part of the whole shares of Ithmaar Bank ownership.

## Related parties

Al Janabeya Company WLL (a family company owned by Mr Murad Ali and his family) owns 987,825 shares, 91,326 bonds and is related to the Chairman of the Board.

## Nature and extent of transactions with related parties

None.

## Approval process for related parties' transactions

The Bank has a due process for dealing with transactions involving Directors and related parties. Any such transaction will require the approval of the Board of Directors.

## Material contracts and loans involving Directors

Name of the Director	Relationship with Director	Purpose of loan	Amount of loan	Interest Rate	Terms of payment of interest	Repayment of the principal	Security
Murad Ali Murad	Chairman	Personal banking needs	BD 300,000	Fixed deposit rate over 1% p.a.	On demand	On demand	100% cash collateral
Jassem Hasan Ali Zainal	Board Member	Personal banking needs	USD 66,000	LIBOR + 3%	On demand	On demand	Shares 43% plus fixed deposit of 3%
			BD 115,000	BIBOR + 3%			
Yusuf Saleh Khalaf	Board Member	Personal banking needs	BD 50,000	BIBOR + 3%	Monthly	On demand	Clean

Note: The materiality amount for such disclosures is considered above BD 100,000.

## Directors' trading of BBK shares during 2017

None.

## Board meetings

The Board of Directors meet at the summons of the Chairman (or Deputy Chairman in event of his absence or disability) or, if requested to do so, by at least two Directors. The Board meets at least four times a year. A meeting of the Board of Directors is deemed valid if attended by more than half of the members.

For this purpose, regular Board meetings are preceded by a meeting of Independent Directors, unless it is decided by the Independent Directors that there are no issues to discuss.

## Meetings of Independent Directors

Since 2012 the Board of Directors has held separate meetings for Independent Directors. As per the Board Charter, minority shareholders look to Independent Directors for representation.

The agendas for this forum's meetings are the same as the agendas for the regular Board meetings. During these meetings the Independent Directors express their views about certain issues, especially those relating to minority shareholders. The summary of the proceedings of such meetings is recorded by the Group Corporate Secretary and shared with the Independent Directors.

## Corporate Governance report continued

### Board meeting attendance

During 2017, seven Board meetings were held in the Kingdom of Bahrain in the following manner:

Key: ⊙ Attended ○ Absent ⊘ was not a member during this period

### Board meetings 2017

Members	Quarterly meetings				Other meetings		
	27 Feb	24 Apr	17 Jul	23 Oct	*28 Feb	29 Mar	11 Dec
Murad Ali Murad	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Aref Saleh Khamis	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Mohamed Abdulrahman Hussain	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Dr Zakreya Sultan AlAbbasi	⊙	○	⊙	⊙	⊙	⊙	⊙
Sh Abdulla bin Khalifa bin Salman Al Khalifa	⊙	○	⊙	⊙	⊙	⊙	⊙
Sh Khalifa bin Duajj Al Khalifa	○	⊙	○	⊙	○	⊙	⊙
Marwan Mohammed Al Saleh	⊙	⊙	○	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Mutlaq Mubarark Al Sanei	⊙	⊘	⊘	⊘	○	⊘	⊘
Elham Ebrahim Hasan	⊙	⊘	⊘	⊘	⊙	⊘	⊘
Hassan Mohammed Mahmood	⊙	⊘	⊘	⊘	⊙	⊘	⊘
Edrees Musaed Ahmad	⊘	⊙	⊙	⊙	⊘	⊙	⊙
Hani Ali Al Maskati	⊘	⊙	⊙	⊙	⊘	⊙	⊙
Ashraf Adnan Bseisu	⊘	⊙	○	⊙	⊘	⊙	⊙

\* The 3-year strategy review meeting was held on 28 February 2017

### Major issues discussed by the Board during 2017

(Subjects that fall under the Board Committee's scope are recommended by the respective Board Committee for the Board's approval.)

Date of meeting	Subject
27 February 2017	<ol style="list-style-type: none"> <li>1. Appointment or re-appointment of Share Registrar</li> <li>2. Corporate Governance report to AGM</li> <li>3. BBK's Sharia Supervisory Board Terms of Reference 2016</li> <li>4. Quarterly Liquidity Report</li> <li>5. Investment Portfolio performance</li> <li>6. Financial Results for Fourth Quarter of 2016</li> <li>7. Re-appointment of External Auditors and their fees</li> <li>8. CBB Examination Report and Banks' Responses</li> <li>9. Anti-Money Laundering annual report 2016</li> <li>10. HR Policy Amendments</li> <li>11. Succession Plan</li> <li>12. Risk Policies for review</li> </ol>
28 February 2017	<ol style="list-style-type: none"> <li>1. The Bank's strategy for the 3-year period 2016-2018</li> </ol>
29 March 2017	<ol style="list-style-type: none"> <li>1. Board Chairmanship and Board Committees' Composition</li> <li>2. Board Evaluation</li> </ol>
24 April 2017	<ol style="list-style-type: none"> <li>1. Review of the Board Charter</li> <li>2. Financial Results for First Quarter of 2017 and reviewing related press release</li> <li>3. Cyber Security</li> <li>4. Review of the Audit Committee's Terms of Reference</li> <li>5. Investment Strategy</li> <li>6. Risk Policies for review</li> </ol>

Date of meeting	Subject
17 July 2017	<ol style="list-style-type: none"> <li>1. Review of the Bank's Strategy for the years 2016 to 2018</li> <li>2. Financial Results for Second Quarter of 2017 and reviewing related press release</li> <li>3. CBB Examination Report 2016</li> <li>4. Review of the Whistle-Blowing Policy</li> <li>5. Review of the Key Persons Trading Policy</li> <li>6. Audit and Compliance Committee Terms of Reference</li> <li>7. Quarterly Liquidity Report</li> <li>8. Appointment of Chief Risk Officer</li> <li>9. Risk Committee Terms of Reference</li> <li>10. Risk Policies for review</li> </ol>
23 October 2017	<ol style="list-style-type: none"> <li>1. Review of the Bank's Strategy for the years 2016 to 2018</li> <li>2. Financial Results for Third Quarter of 2017 and reviewing the related press release</li> <li>3. Update to AML Policy and Procedures</li> <li>4. Review of Corporate Governance Framework</li> <li>5. Succession Planning</li> <li>6. Risk Policies for review</li> </ol>
11 December 2017	<ol style="list-style-type: none"> <li>1. Stress Testing</li> <li>2. CBK Inspection Report</li> <li>3. Medium Term Repo Funding</li> <li>4. Treasury Management Report – Buyback Treasury Shares</li> <li>5. The Budget For The Year 2018</li> </ol>

### Board committees

The Board Committees are formed and their members are appointed by the Board of Directors each year after the Annual General Meeting. They are considered the high-level link between the Board and the Executive Management. The objective of these Committees is to assist the Board in supervising the actual operations of the Bank, by reviewing any issues that are submitted by the Executive Management and making recommendations to the Board for their final review.

The Board reserves the right to form temporary Committees and discontinue them from time to time, as necessary. Furthermore, members of the Board are provided with copies of the meeting minutes of the said Committees, as required by the regulators. There are no significant issues of concern to report relating to the work of the Board Committees during the year 2017.

The full text of the Terms of Reference for Board Committees (Executive Committee, Audit and Compliance Committee, Nomination, Remuneration and Corporate Governance Committee, and Risk Committee) are published on the Bank's website.

### Board Committees' composition, roles and responsibilities

#### Executive Committee

Members	Summary terms of reference, roles and responsibilities	Summary of responsibilities
<p><b>Mohamed Abdulrahman Hussain</b> Chairman</p> <p><b>Aref Saleh Khamis</b> Deputy Chairman</p> <p><b>Sh Abdulla bin Khalifa bin Salman Al Khalifa</b> Member</p> <p><b>Yusuf Saleh Khalaf</b> Member since March 2017</p> <p><b>Ashraf Adnan Bseisu</b> Member since March 2017</p> <p><b>Reyadh Yousif Safer</b> Member</p> <p><b>Mutlaq Mubarak Al Sanei</b> Member until March 2017</p> <p><b>Elham Ebrahim Hasan</b> Member until March 2017</p>	<ul style="list-style-type: none"> <li>• Not less than 5 members are appointed for a 1-year term</li> <li>• Minimum number of meetings required each year: 8 (actual meetings in 2017: 13)</li> <li>• The Chairman and Deputy Chairman must be a Director and elected by the members of the Committee in the first meeting following the appointment of its members</li> <li>• The quorum shall be more than half of the members and must include the Chairman or the Deputy Chairman Attendance by proxies is not permitted</li> <li>• The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions</li> <li>• The Committee conducts an annual self-assessment of the performance of the Committee/members, and reports conclusions and recommendations to the Board</li> </ul>	<p>Reviews, approves and directs the executive management on matters raised to the Board of Directors such as business plans, donations, credit/ investment applications, and such other proposals within its authority, and the periodic review of the Bank's achievements</p>

## Corporate Governance report continued

### Audit and Compliance Committee

Members	Summary terms of reference, roles and responsibilities	Summary of responsibilities
<p><b>Murad Ali Murad</b> Chairman (Independent)</p> <p><b>Jassem Hasan Zainal</b> Deputy Chairman (Independent)</p> <p><b>Sh Khalifa bin Duajj Al Khalifa</b> Member (Independent)</p> <p><b>Edrees Musaed Ahmad</b> Member since March 2017</p>	<ul style="list-style-type: none"> <li>• The Board appoints not less than 3 members for a 1-year term</li> <li>• The Chairman must be elected by the members of the Committee, from amongst the Independent Non-Executive Directors, in its first meeting after the appointment of the members; the majority of members should also be independent</li> <li>• Minimum number of meetings required each year: 4 (actual meetings in 2017: 4)</li> <li>• Quorum shall be more than half of the members and must include the Chairman. Attendance by proxies is not permitted</li> <li>• The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions</li> <li>• The Committee conducts an annual self-assessment of the performance of the Committee/members, and reports conclusions and recommendations to the Board</li> </ul>	<p>Reviews the internal audit programme and internal control system, considers major findings of internal audit reviews, investigations and management's response, ensures coordination among internal and external auditors, monitors trading activities of key persons, and ensures prohibition of the abuse of inside information and disclosure requirements</p> <p>Approves and periodically reviews the Internal Audit Charter Document, which defines the purpose, authority, responsibilities and other aspects of the internal audit activity</p>

### Nomination, Remuneration and Corporate Governance Committee

Members	Summary terms of reference, roles and responsibilities	Summary of responsibilities
<p><b>Murad Ali Murad</b> Chairman (Independent)</p> <p><b>Sh Khalifa bin Duajj Al Khalifa</b> Deputy Chairman (Independent)</p> <p><b>Marwan Mohammed Al Saleh</b> Member</p> <p><b>Mohamed Abdulrahman Hussain</b> Member since March 2017 (Independent)</p>	<ul style="list-style-type: none"> <li>• The Board appoints not less than 3 members for a 1-year term. The Chairman is an Independent Director and the majority of members should also be independent</li> <li>• The Chairman and the Deputy Chairman must be elected by members of the Committee in its first meeting after the appointment of the members</li> <li>• Minimum number of meetings required each year: 2 (actual meetings in 2017: 4)</li> <li>• Quorum shall be more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted</li> <li>• The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions</li> <li>• The Committee conducts an annual self-assessment of the performance of the Committee/members, and reports conclusions and recommendations to the Board</li> </ul>	<p>Assess, evaluate and advise to the Board of Directors on all matters associated with nominations and remunerations of the Directors and the Executive Management. Also, to ensure that the Bank adopts and enhances sound corporate governance practices, which are consistent with the Corporate Governance Code of the Kingdom of Bahrain and the regulatory requirements, and which also reflect best market practices in corporate governance, and makes recommendations to the Board as appropriate</p>

### Risk Committee

Members	Summary terms of reference, roles and responsibilities	Summary of responsibilities
<p><b>Hani Ali Al Maskati</b> Chairman (Non-executive)</p> <p><b>Jassem Hasan Ali Zainal</b> Deputy Chairman (Independent)</p> <p><b>Dr Zakareya Sultan AlAbbasi</b> Member</p> <p><b>Edrees Musaed Ahmad</b> Member since March 2017</p>	<ul style="list-style-type: none"> <li>• At least 4 members are appointed for a 1-year term</li> <li>• The Chairman and Deputy Chairman must be a Director and elected by the members of the Committee in its first meeting following the appointment of its members</li> <li>• Minimum number of meetings required each year: 4 (actual meetings in 2017: 4)</li> <li>• The quorum shall be more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted</li> <li>• The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions</li> <li>• The Committee conducts an annual self-assessment of the performance of the Committee/members and reports conclusions and recommendation to the Board</li> </ul>	<p>Reviews risk policies and recommends to the Board of Directors for approval. Also examines and monitors the risk issues to the Bank's business and operations and directs the management appropriately</p>

## Independent Directors Committee

Members	Summary terms of reference, roles and responsibilities	Summary of responsibilities
<b>Murad Ali Murad</b> Chairman (Independent) <b>Jassem Hasan Zainal</b> Member (Independent) <b>Sh Khalifa bin Duaij Al Khalifa</b> Member (Independent) <b>Mohammed Abdulrahman Hussain</b> Member (Independent) <b>Yusuf Saleh Khalaf</b> Member (Independent)	<ul style="list-style-type: none"> <li>The Committee is composed of Independent Directors</li> <li>The Committee meets at least once a year</li> <li>The meetings are attended by Independent Directors and the Group Corporate Secretary only</li> <li>Attendance should be in person</li> <li>The Committee discusses issues on the Board agenda according to its terms</li> </ul>	Providing independent views on certain issues, especially pertaining to minority shareholders

## Board Committee meetings and record of attendance

Key: ⊙ Attended ○ Absent ⊘ was not a member during this period

### Executive Committee meetings in 2017

Members	5 Feb	5 Mar	*23 Mar	23 Apr	21 May	11 Jun	16 Jul	12 Sep	9 Oct	*2 Nov	*9 Nov	19 Nov	10 Dec
Mohamed Abdulrahman Hussain	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Aref Saleh Khamis	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Sh Abdulla bin Khalifa bin Salman Al Khalifa	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Mutlaq Mubarak Al Sanei	○	○	⊙	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘
Elham Ebrahim Hasan	⊙	⊙	⊙	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘	⊘
Reyadh Yousif Sater	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Ashraf Adnan Bseisu	⊘	⊘	⊘	⊙	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙	○
Yusuf Saleh Khalaf	⊘	⊘	⊘	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

\* Unscheduled meetings

### Audit and Compliance Committee meetings in 2017

Members	19 Feb	23 Apr	16 Jul	22 Oct
Murad Ali Murad	⊙	⊙	⊙	⊙
Sh Khalifa bin Duaij Al Khalifa	⊙	○	○	⊙
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙
Edrees Musaed Ahmad	⊘	⊙	⊙	⊙
Hassan Mohammed Mahmood	⊙	⊘	⊘	⊘
Yusuf Saleh Khalaf	⊙	⊘	⊘	⊘

### Risk Committee meetings in 2017

Members	20 Feb	18 Apr	9 Jul	9 Oct
Murad Ali Murad	⊙	⊘	⊘	⊘
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙
Dr Zakareya Sultan AlAbbasi	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊘	⊘	⊘
Edrees Musaed Ahmad	⊘	⊙	⊙	⊙
Hani Ali Al Maskati	⊘	⊙	⊙	⊙

### Nomination, Remuneration and Corporate Governance Committee meetings in 2017

Members	20 Feb	8 Mar	8 Oct	*19 Nov
Murad Ali Murad	⊙	⊙	⊙	⊙
Mohamed Abdulrahman Hussain	⊘	⊘	⊙	⊙
Sh Khalifa bin Duaij Al Khalifa	⊙	⊙	⊙	⊙
Marwan Mohammed Al Saleh	⊙	⊙	○	⊙

\* Unscheduled meetings

### Independent Directors' Committee meetings in 2017

Members	27 Feb
Murad Ali Murad	⊙
Jassem Hasan Ali Zainal	⊙
Sh Khalifa bin Duaij Al Khalifa	⊙
Mohamed Abdulrahman Hussain	⊙
Yusuf Saleh Khalaf	⊙

### Compliance and anti-money laundering

Compliance with regulatory and statutory requirements is an ongoing process. The Bank is conscious of its responsibilities in observing all regulatory provisions and best international practices in its functioning. The Bank has established an independent compliance function in keeping with Basel and CBB guidelines. The unit acts as a focal point for all regulatory compliance and for adapting other best practice compliance principles. The Bank continuously strives to improve the level of compliance in all its activities. The Bank's adopted corporate philosophy is: 'BBK shall continue its endeavour to enhance shareholders' value, protect their interests and defend their rights by practising pursuit of excellence in corporate life.' Anti-money laundering measures form an important area of the compliance function, in addition to areas of corporate governance, disclosure standards, insiders'/key persons' trading, conflict of interest, and adherence to best practices.

Starting from 2014, the Bank commenced implementation of an automated compliance system for the monitoring and management of regulatory requirements across the Bank. This system facilitates the prompt reporting of any compliance concerns or non-compliance incidents as and when they arise. In 2017, the system was rolled over to most concerned divisions as part of the system overall implementation across the Bank.

The Bank has documented an anti-money laundering programme, including periodic awareness training to employees, record-keeping, and a designated Money Laundering Reporting Officer (MLRO). The AML policy and procedures are updated annually and were last approved by the Board of Directors in October 2017.

The Bank has deployed a risk-based automated transaction monitoring system in keeping with the anti-money laundering regulations of the CBB. In 2017, an upgrade of the Bank's AML monitoring system has been initiated.

The Bank's anti-money laundering measures are regularly audited by the internal auditors, who report to the Audit and Compliance Committee of the Board. The Central Bank performs periodic inspections of the Bank's compliance with anti-money laundering regulations; the last AML/CFT examination by the Central Bank was concluded in October 2016. Additionally, the Bank's anti-money laundering measures are audited by independent external auditors every year and their report is submitted to the CBB. The overseas branches in India and Kuwait and the subsidiary, CrediMax, have designated compliance and MLRO functions to ensure implementation of local regulations and also to meet CBB requirements as applicable. The Bank is committed to combating money-laundering and, towards this end, implements all 'Prevention of Money Laundering Regulations' as stipulated in the Financial Crimes Module of the CBB Rulebook and other guidelines issued by the CBB. These regulations and guidelines are consistent with the revised FATF recommendations, 'Customer Due Diligence for Banks' paper of the Basel Committee, and best international practices.

### Communication strategy

The Bank has an open policy on communication with its stakeholders, and has adopted a communication disclosure policy consistent with Basel II requirements. Shareholders are invited by the Chairman to attend the annual general meeting (AGM). The Chairman and other Directors attend the AGM and are available to answer any questions. The Bank is at all times mindful and conscious of its regulatory and statutory obligations regarding dissemination of information to its stakeholders.

The Bank provides information on all events that merit announcement, either on its website – [www.bbkonline.com](http://www.bbkonline.com) – or through other forms of publication. The Bank's annual report and three years' financial statements are also published on the website, as well as the Bank's Corporate Governance Report, Corporate Governance Framework, Whistle-blowing Policy, Board Charter, Code of Conduct, Key Persons' Dealing Policy, and Terms of Reference of all Board Committees. Shareholders can complete an online form, which can be found on the website, to forward any queries they may have.

The Bank uses a bulletin board for communicating with its employees on general matters, and sharing information of common interest and concern.