

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 2015

BBK implemented initiatives in 2015 to enhance corporate governance practices at the Bank. These include continuing reviewing all Bank policies – especially risk management policies – and the full cycle of reviewing the Bank's policies was successfully completed by the Board in 2015. The evaluation process for the Board, its committees and Board members was successfully completed during the year and was concluded with recommendations for improvement. An action plan was prepared to follow up, addressing 2015 and previous years' recommendations (long-term recommendations). Furthermore, enhanced disclosures were published in the annual report. The corporate governance section of the Arabic website was created and a new Board resolution register was adopted, with the objective of keeping records of all Board and Board committee decisions for ease of retrieval.

The Board has also implemented new remuneration policies and the new training and competency policy. A full training schedule was approved by the Board for the year 2015, and the attendance of Board members was closely monitored.

The CBB's module to implement Basel III came into force on 1st January 2015. Basel III aims at increasing the quantity and quality of capital held by banks. BBK invested a lot of resources and efforts to implement Basel III and achieved full compliance from the aforementioned date.

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 the Extraordinary General Meeting (EGM) were held on 10 March 2015.

The EGM resolved to approve increasing the Bank's issued and paid-up capital by granting 5 percent bonus shares to the shareholders. Further, the EGM resolved to approve amendments to the Memorandum of Association and Articles of Association due to the increase in issued and paid-up capital, and due to amendments to the Commercial Companies No. 21 for the year 2001 in accordance with Legislative Decree No. 50 of the year 2014. The meeting minutes of the AGM and the 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 2014 and ends in March 2017.

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.

Corporate Secretary

The Board is supported by the Corporate Secretary, who provides professional and administrative support to the General Assembly, the Board, its Committees and members. The Corporate Secretary also assumes the responsibilities of the 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. The appointment of the Corporate Secretary is subject to the approval of the Board.

BBK's 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, and he has since attended many Advance training programmes in corporate governance both in Bahrain and abroad, accumulating over 19 years of experience in the financial sector.

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 Organisation (SIO)			
– Pension Fund Commission	Kingdom of Bahrain	203,020,288	18.77
– General Organisation 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	2,405	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	–	–	–

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.

The issues of major capital expenditure, divestitures, mergers and acquisitions, and certain strategic investments would be within 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 will affect the Bank's business operations. Immediately after appointment, the Bank will provide a formal induction.

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 in 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 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.

Development programmes arranged for the Board members during 2015

Programmes	Date	Duration
The Euromoney GCC Financial Forum	24-25 February 2015	9 hours
Computer-based training (BoardWorks)	28 February 2015	3 hours
Visa induction	14 April 2015	2 hours
Basel consultation on new principles of corporate governance	21 April 2015	4 hours
Regulatory trends and compliance	20 October 2015	3 hours
Board succession planning	20 October 2015	2 hours
Enterprise risk management	22 December 2015	6 hours

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 Director's Code of Conduct is published on the Bank's website.

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.

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
Chairman of the Board	Takaful International Company	Kingdom of Bahrain
Chairman of the Board of Trustees	Human Resources Development Fund in Banking Sector	Kingdom of Bahrain
Member	Council of Vocational Training in Banking Sector	Kingdom of Bahrain
Chairman of the Board	AlJanabya 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	Qatar-Bahrain 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
Jassem Hasan Ali Zainal		
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	Automated System Company	State of Kuwait
Board Member	Al-Masah Capital Limited	Dubai, UAE
Board Member	Al-Oula Geojit Capital Company	Kingdom of Saudi Arabia
Board Member	Miami International Securities Exchange LLC (MIAX)	United States of America

Corporate Governance report continued

Directors' external appointments (continued)

Dr Zakareya Sultan AlAbbasi		
CEO	Social Insurance Organization (SIO)	Kingdom of Bahrain
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	SICO Investment Bank BSC	Kingdom of Bahrain
Chairman	Muharraq Mall Company WLL	Kingdom of Bahrain
Board Member	BFC Group	Kingdom of Bahrain
Board Member and Chairman of Executive Committee	Amlak Social Insurance Organization Development Company SPC	Kingdom of Bahrain
Board Member	Amanat Holding 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
Mutlaq Mubarak Al Sanei		
Director Follow-up Department	Kuwait Investment Authority	State of Kuwait
Chairman	Kuwait Health Assurance Company (KHAC)	State of Kuwait
Board Member	Tri International Consulting Group (TICG)	State of Kuwait
Elham Ebrahim Hasan		
Managing Partner	Elham Hasan SPC	Kingdom of Bahrain
Chairman	Health Corp Middle East Limited	Kingdom of Bahrain
Chairman	Taaheel Healthcare	Kingdom of Bahrain
Board Member	BNP Paribas Investment Company	Kingdom of Saudi Arabia
Board Member	Solidarity Group Holding BSC	Kingdom of Bahrain
Yusuf Saleh Khalaf		
Managing Director	Vision Line Consulting WLL	Kingdom of Bahrain
Board Member	Eskan Bank BSC	Kingdom of Bahrain
Board Member	SICO Investment Bank BSC	Kingdom of Bahrain
Hassan Mohammed Mahmood		
Board Member	Faisal Finance (Maroc) SA	Morocco
Board Member	Overland Capital Group Inc	United States of America
Board Member	Egyptian Investment Company	Egypt
Board Member	Islamic Investment Company of Gulf (Bahamas) Limited	Bahamas
Board Member	Gulf Financing Investment Company	Egypt
Board Member	Egyptian Company for Business Trade	Egypt
Board Member	Ithraa Capital	Kingdom of Saudi Arabia

Directors' and related parties' interests

The number of shares held by Directors as of 31 December 2015 was as follows:

Name of Director	Type of shares	31 Dec 2015	31 Dec 2014
Murad Ali Murad	Ordinary	853,977	813,312
Pension Fund Commission/Aref Saleh Khamis ⁽¹⁾	Ordinary	133,402	127,050
Mohamed Abdulrahman Hussain	Ordinary	133,402	127,050
Jassem Hasan Ali Zainal	Ordinary	190,286	181,225
GOSI/Dr Zakareya Sultan AlAbbasi ⁽²⁾	Ordinary	127,050	121,000
Sh Abdulla bin Khalifa bin Salman Al Khalifa	Ordinary	127,050	121,000
Sh Khalifa bin Duajj Al Khalifa	Ordinary	138,326	605,000
Marwan Mohammed Al Saleh	–	–	–
Kuwait Investment Authority/Mutlaq Mubarak Al Sane'i ⁽³⁾	Ordinary	127,050	121,000
Ithmaar Bank/Elham Ebrahim Hasan ⁽⁴⁾	Ordinary	127,050	121,000
Yusuf Saleh Khalaf	Ordinary	127,050	121,000
Ithmaar Bank/Hassan Mohammed Mahmood ⁽⁴⁾	Ordinary	190,575	181,500

(1) Shares related to Aref Saleh Khamis are part of the whole shares of the Pension Fund Commission ownership.

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

(3) Shares related to Mutlaq Mubarak Al Sane'i are part of the whole shares of the Kuwait Investment Authority ownership.

(4) 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 owns 987,825 shares and is related to the Chairman of the Board.

Nature and extent of transactions with related parties during 2015

On 23 February 2015 Al Janabeya Company WLL (a family company owned by Murad Ali Murad and his family) purchased a total of 500,000 shares.

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%			

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

Directors' trading of BBK shares during 2015

Sh Khalifa bin Duajj Al Khalifa sold 286,000 shares in April 2015 and in May 2015 sold 210,924 shares through Bahrain Bourse.

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.

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. 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.

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 are recorded by the Corporate Secretary and shared with the Independent Directors.

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Board meeting attendance

During 2015, ten Board meetings were held, nine in the Kingdom of Bahrain and one in Istanbul, Republic of Turkey (on 23 November 2015), in the following manner:

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

Board meetings 2015

Members	Quarterly meetings				Other meetings					
	9 Feb	20 Apr	15 Jul	19 Oct	10 Feb *	2 Mar	10 Mar	29 Sept **	23 Nov ***	21 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	⊙	⊙	○	⊙	⊙	○	○	⊙	⊙	○
Mutlaq Mubarak Al Sane'i	⊙	⊙	○	⊙	⊙	○	⊙	⊙	⊙	⊙
Elham Ebrahim Hasan	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Hassan Mohammed Mahmood	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

* The 3-year strategy review meeting was held on 10 February 2015

** Unscheduled meeting

*** New strategy for the next 3 years 2016-2018

Major issues discussed by the Board during 2015

Date of the meeting	Subject
9 February 2015	<ol style="list-style-type: none"> 1. Amendments to the Commercial Companies Law No 21 for the year 2001 2. AGM and EGM Invitation and Recommendation to distribute 2014 dividends 3. Donation Budget for 2015 4. Report on the issues listed on the Board meeting agendas that were discussed during the year 2015 5. Quarterly Liquidity Report 6. Investment Portfolio Performance 7. Financial Results for Fourth Quarter of 2014 8. Re-appointment of External Auditors and their fees 9. Review of CBBs 2014 Examination Report along with Bank's responses 10. Update on expansion opportunities in UK 11. Women Empowerment Policy 12. Succession Plan 13. Vacancy in the NRCG Committee 14. Amendments on the Employee Remuneration and Compensation policy 15. The proposal to establish a special purpose company (SPV) to manage the Employee shares 16. Organisation Chart of BBK Kuwait Branch 17. Risk Policies for review
10 February 2015	<ol style="list-style-type: none"> 1. BBK Strategic Plan 2013-2015 (Review of 2014 achievements)
2 March 2015	<ol style="list-style-type: none"> 1. Electronic advancement 2. Financial Malls performance presentation 3. Sales incentives plan
20 April 2015	<ol style="list-style-type: none"> 1. High-Level Direction on the next corporate strategic cycle 2016-2018 2. Deposit Concentration Strategy 3. 2015 EMTN Summary 4. Investment Strategy 5. Financial Results for First Quarter of 2015 6. Risk Management Strategy – 2015 7. Annual Liquidity Strategy report 2015 8. Risk Policies for review 9. Organisation Chart of BBK India

Date of the meeting	Subject
15 July 2015	<ol style="list-style-type: none"> 1. Investment Strategy Review 2. Updates on the need to increase Capital 3. Presenting the result of Board members – Board and Board Committees evaluation 4. Quarterly Liquidity Report 5. Investment Portfolio performance 6. Financial Results for Second Quarter of 2015 7. AML Policy and Procedures Revised 8. CBK Inspection Report of Kuwait Branch 9. Establishment of the representative office in the Republic of Turkey 10. Remedial Management and Partial Outsourcing of Retail Collection 11. Risk Policies for review
29 September 2015	<ol style="list-style-type: none"> 1. Discussing the Bank's plans to increase its capital to satisfy future and regulatory requirements, and the proposal relating to the same after obtaining the CBB approval
19 October 2015	<ol style="list-style-type: none"> 1. Quarterly Liquidity Report 2. Financial Results for Third Quarter of 2015 3. Update to AML policy – Kuwait Branch 4. Human Resources Policies 5. Risk Policies for review
23 November 2015	<ol style="list-style-type: none"> 1. New Strategy for the next 3 years 2016-2018
21 December 2015	<ol style="list-style-type: none"> 1. Main items to be presented to the Board for the year 2016 2. Liquidity Position in US\$ 3. Treasury Management Report 4. Budget 2016 5. Bank's lines and Country limits

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 major issues of concern to report relating to the work of the Board Committees during the year 2015.

The full texts for the Terms of Reference for Board Committees (Executive Committee, Audit 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>Mohammed Abdulrahman Hussain Chairman</p> <p>Aref Saleh Khamis Deputy Chairman</p> <p>Sh Abdulla bin Khalifa bin Salman Al Khalifa Member</p> <p>Mutlaq Mubarak Al Saneii Member</p> <p>Abdulkarim Ahmed Bucheery Member</p> <p>Elham Ebrahim Hasan Member</p>	<ul style="list-style-type: none"> • Not less than 5 members are appointed for a 1-year term. • Minimum number of meetings required each year: 8 (actual meetings in 2015: 11). • 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. • The quorum shall be of more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted. • The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. • The Committee conducts an annual self-assessment of the performance of the Committee/members, and reports conclusions and recommendations to the Board. 	<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>

Audit Committee

Members	Summary terms of reference, roles and responsibilities	Summary of responsibilities
<p>Jassem Hasan Ali Zainal Chairman (Independent)</p> <p>Yusuf Saleh Khalaf Deputy Chairman (Independent)</p> <p>Sh Khalifa bin Duajj Al Khalifa Member (Independent)</p> <p>Hassan Mohammed Mahmood Member</p>	<ul style="list-style-type: none"> The Board appoints not less than 3 members for a 1-year term. 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. Minimum number of meetings required each year: 4 (actual meetings in 2015: 4). Quorum shall be more than half of the members and must include the Chairman. Attendance by proxies is not permitted. The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. The Committee conducts an annual self-assessment of the performance of the Committee/members, and reports conclusions and recommendations to the Board. 	<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. 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>Murad Ali Murad Chairman (Independent)</p> <p>Sh Khalifa bin Duajj Al Khalifa Member (Independent)</p> <p>Marwan Mohammed Al Saleh Member</p>	<ul style="list-style-type: none"> 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. The Chairman and the Deputy Chairman must be elected by members of the Committee in its first meeting after the appointment of the members. Minimum number of meetings required each year: 2 (actual meetings in 2015: 4). Quorum shall be more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted. The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. The Committee conducts an annual self-assessment of the performance of the Committee/members, and reports conclusions and recommendations to the Board. 	<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>Murad Ali Murad Chairman (Independent)</p> <p>Jassem Hasan Ali Zainal Deputy Chairman (Independent)</p> <p>Dr Zakareya Sultan Al Abbasi Member</p> <p>Yusuf Saleh Khalaf Member (Independent)</p>	<ul style="list-style-type: none"> At least 4 members are appointed for a 1-year term. 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. Minimum number of meetings required each year: 4 (actual meetings in 2015: 4). The quorum shall be of more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted. The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. The Committee conducts an annual self-assessment of the performance of the Committee/members and reports conclusions and recommendation to the Board. 	<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>

Board Committee meetings and record of attendance

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

Executive Committee meetings in 2015

Members	8 Feb	1 Mar	19 Apr	24 May	14 Jun	14 Jul	6 Sep	29 Sep	18 Oct	24 Nov	20 Dec
Mohamed Abdulrahman Hussain	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Aref Saleh Khamis	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	○	⊙
Sh Abdulla bin Khalifa bin Salman Al Khalifa	⊙	⊙	⊙	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙
Mutlaq Mubarak Al Sanei	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Abdulkarim Ahmed Bucheery	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Elham Ebrahim Hasan	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

Audit Committee meetings in 2015

Members	8 Feb	19 Apr	14 Jul	18 Oct
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙
Sh Khalifa bin Duajj Al Khalifa	⊙	⊙	○	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙
Hassan Mohammed Mahmood	⊙	⊙	⊙	⊙

Nomination, Remuneration and Corporate Governance Committee meetings in 2015

Members	9 Feb	1 Mar	19 Oct	*23 Nov
Murad Ali Murad	⊙	⊙	⊙	⊙
Sh Khalifa bin Duajj Al Khalifa	⊙	⊙	⊙	○
Marwan Mohammed Al Saleh	⊗	○	⊙	⊙

* Unscheduled meeting held in Istanbul, Republic of Turkey

Risk Committee meetings in 2015

Members	18 Jan	12 Apr	5 Jul	5 Oct
Murad Ali Murad	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙
Dr Zakareya Sultan AlAbbasi	⊙	⊙	⊙	⊙
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙

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. The system will be rolled over to all concerned divisions within the Bank in stages.

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/procedure is updated annually and was last approved by the Board of Directors and Chief Executive in July 2015.

The Bank has deployed a risk-based automated transaction monitoring system in keeping with the anti-money laundering regulations of the CBB.

The Bank's anti-money laundering measures are regularly audited by the internal auditors, who report to the Audit Committee of the Board. The Central Bank performs periodic inspections of the Bank's compliance with anti-money laundering regulations. 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' and other guidelines issued by the CBB. These regulations and guidelines are consistent with the revised FATF recommendations, 'Customer Due Diligence for Banks' paper by 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 – 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.