



بنك البحرين الإسلامي



BisB Corporate Governance Report 2016

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Introduction to BisB's Corporate Governance

Corporate Governance:

BisB is committed to upholding the highest standards of corporate governance and the Central Bank of Bahrain's High-Levels Control Module (and its amendments). The Bank seeks to balance entrepreneurship, compliance, and industry best practices, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of BisB in compliance with regulatory requirements. It also involves having the right checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

Responsibilities:

The Board of Directors is accountable to the shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value through strategic initiatives. The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the Executive Management, and maintaining a dialogue with the Bank's shareholders. The Board has appointed three Committees to assist it in carrying out its responsibilities. The Internal Audit function reports directly to the Board through the Audit & Corporate Governance Committee. The Board delegates the authority for management of the business to the Chief Executive.

Framework:

BisB's corporate governance framework comprises a code of business conduct; operational policies and procedures; internal controls and risk management systems; internal and external audit and compliance procedures; effective communications and transparent disclosure; and measurement and accountability.

Code of Business Conduct:

BisB conducts itself in accordance with the highest standards of ethical behavior. A Code of Business Conduct has been developed to govern the personal and professional conduct of all stakeholders.

Compliance:

BisB has in place comprehensive policies and procedures to ensure full compliance with the relevant rules and regulations of the Central Bank of Bahrain.

Communications:

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

Nomination & Re-election of Board Members:

Pursuant to CBB rules, Board members should stand for re-election every three years. As such, BisB underwent the appointment/re-election of Board members during its AGM held on 23 March 2016. Nominated Board members representing NBB include Dr. Esam Abdulla Fakhro and Mr. Khaled Yusuf AbdulRahman replacing former representatives Mr. Abdul Razak Abdulla Al Qassim and Mrs. Fatima Budhaish. Other nominated and elected Board members remain unchanged.

Bahrain Islamic Bank's Board of Directors

Board members Profile

Dr. Esam Abdulla Fakhro

*Chairman and Chairman of Nomination and Remuneration Committee
Non-Executive & Non-Independent Director*

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

Brigadier Khalid Mohammed Al Mannai

*Vice Chairman and Chairman of the Executive Committee
Non-Executive & Non-Independent Director*

Brigadier Khalid Mohammed Al Mannai is the General Manager of the Bahrain Military Pension Fund, and one of the co-founders of the GCC Expanded Military Pension Coverage Committee. He joined the Military Pension Fund after spending 31 years with the Bahrain Defense Force. Brigadier Al Mannai is a Board Member of Bahrain Telecommunications Company (Batelco), the Social Insurance Organisation (SIO) and Osool Asset Management Company. He holds a MBA from Sheffield Hallam University, UK; and has over 36 years' professional experience.

Khaled Yusuf AbdulRahman

*Board Member
Non-Executive & Non-Independent Director*

Mr. Abdul Rahim is Vice Chairman and Chief Executive Officer of Yousif Abdul Rahman Engineer Holding Company W.L.L. He is also Chairman of Food Supply Company Limited,

Vice Chairman of National Establishment of Technical and Trade Services, Vice Chairman of National Transport Company, and vice Chairman of Awal Dairy Company. He is a member of the Board of several major companies in Bahrain, including National Bank of Bahrain, Bahrain Ship Repairing & Engineering Company, and Asmak. He gained his B.Sc Mechanical Engineering from Plymouth Polytechnic, UK, and is a registered member of Bahrain Society of Engineers and the Committee for Organizing Engineering Professional Practice (COEPP) Mechanical Engineering Cat. B. Mr. Abdul Rahim has over 40 years of professional experience.

Mohammed Ahmed Abdulla

Board Member

Non-Executive & Non-Independent Director

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

Talal Ali Al Zain

Board Member

Non-Executive & Independent Director

Mr. Talal Ali Al Zain was the Chief Executive Officer of PineBridge Investments Middle East BSC (c), and Co-Head of Alternative Investments at PineBridge Investments. Prior to this, he was Board Member and CEO of Bahrain Mumtalakat Holding Company; having previously spent 18 years with Investcorp Bank as Managing Director and Co- Head of Placement & Relationship Management. Talal was Vice President of Private Banking international and Head of Investment Banking Middle East with Chase Manhattan Bank; as well as a Corporate Banker with Citibank Bahrain. Talal Al Zain is a Board Member of the Bahrain Islamic Bank, Alubaf Arab International Bank and the Bahrain Association of

Banks. He previously chaired and served as a board member on many corporations including McLaren, the Bahrain Economic Development Board, Gulf Air, and the Bahrain International Circuit. He holds an MBA in Business Administration (majoring in Finance) from Mercer University, Atlanta, USA; a BA in Business Administration (majoring in Accounting) from Oglethorpe University, Atlanta, USA.

Khalil Ebrahim Nooruddin

Board Member

Non-Executive & Independent Director

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

Ebrahim Husain Ebrahim Aljassmi

Board Member and Chairman of the Audit & Corporate Governance Committee

Non-Executive & Independent Director

Mr. Ebrahim Hussain Ebrahim Aljassmi was the Chief Executive Officer & Board Member of Khaleeji Commercial Bank until June 2012, and continued as Board Member until July 2013, and currently is a board member of Takaful International and Ibdar Bank. Prior to this, he was Chief Executive Officer of the Liquidity Management Centre. Previously, at the Arab Banking Corporation, he held the positions of Vice President-Global Marketing Unit, Vice President-Treasury & Marketable Securities Department, and General Manager-ABC Securities. He has also worked for BBK Financial Services Company, and Shamil Bank. He holds an MBA from the University of Bahrain and a Bachelor's degree in Economics from the University of Kuwait; and has over 35 years' experience in both conventional and Islamic banking.

Othman Ebrahim Naser Al Askar

Board Member

Non-Executive & Independent Director

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

Muhammad Zarrug Rajab

Board Member

Non-Executive & Non-Independent Director

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

Names of Independent Board Members

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

Board start date for each term for each director

1. Dr. Esam Abdulla Fakhro (Appointed on: 23-03-2016 replacing Abdul Razak Al Qassim)
2. Brigadier Khalid Mohammed Al Mannai (Re-appointed on: 23-03-2016).

3. Khaled Yusuf AbdulRahman (Appointed on: 23-03-2016 replacing Fatima Abdulla Budhaish).
4. Mohammed Ahmed Abdulla (Re-appointed on: 23-03-2016).
5. Talal Ali Al Zain (Re-elected on: 23-03-2016).
6. Khalil Ebrahim Nooruddin (Re-elected on: 23-03-2016).
7. Ebrahim Husain Ebrahim AlJassmi (Re-elected on: 23-03-2016).
8. Othman Ebrahim Naser Al Askar (Re-appointed on: 23-03-2016).
9. Muhammad Zarrug Rajab (Re-appointed on: 23-03-2016)

Induction of New Directors

As per the Board-approved Corporate Governance Policy, the Bank shall provide an orientation program for new Directors which shall include presentations by senior management on the Bank's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its operations, its Code of Conduct, its management structure and executive officers and its internal and external auditors.

Code of Conduct

The Bank adopts a Code of Conduct and other internal policies and guidelines to comply with the laws, rules and regulations that govern the Bank's business operations. The Code of Conduct will apply to all employees of the Bank and its subsidiaries, as well as to Directors, temporary workers and other independent contractors and consultants whether engaged by or otherwise representing the Bank and its interests.

The Directors have adopted the following Code of Conduct in respect of their behavior.

- To act with honesty, integrity and in good faith, with due diligence and care, with a view to the best interest of the Bank and its stakeholders;
- To meet regularly with senior management and Internal Audit to establish and approve policies;

- To act within the scope of their responsibilities;
- To have a proper understanding of the affairs of the Bank and to devote sufficient time to their responsibilities;
- To understand, identify and measure the significant risks to which the Bank is exposed in its business activities;
- To independently assess and question the policies, processes and procedures of the Bank with the intent to identify and initiate management action on issues requiring improvement;
- To keep confidential board discussions and deliberations;
- To refrain from making improper use of information gained through the position as a Director;
- To refrain from taking improper advantage of the position of Director;
- To ensure his / her personal financial affairs will never cast doubt on the integrity of the Bank;
- To maintain sufficient detailed knowledge of the Bank's business and performance to make informed decisions;
- To be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- To refrain from agreeing to the business of the Bank being carried out or cause or allow the business to be carried on, in a manner likely to create a substantial risk of serious loss to the Bank's creditors and other key stakeholders;
- To refrain from agreeing to the Bank incurring an obligation unless he / she believes at the time, on reasonable grounds, that the Bank will be able to perform the obligations when it is required to do so;
- To treat fairly and with respect all of the Bank's employees and customers with whom they interact;
- To refrain from entering into competition with the Bank;

- To refrain from demanding or accepting substantial gifts from the Bank for himself or his associates;
- To refrain from taking advantage of business opportunities to which the Bank is entitled for himself or his associates;
- To report to the Board any potential conflict of interest;
- To declare interests in the Register of Interest; and
- To abstain themselves from any discussions or decision-making that involves a subject in which they are incapable of providing objective advice or which involves a subject or proposed conflict of interest;
- To commit to the applicable regulations and follow the best industry practices;
- To handle disputes and complaints from the clients to their entire satisfaction and at the same time safeguarding the interest of the Bank.

The Director's adherence to this Code will be periodically reviewed. Additionally, this Code of Conduct may be published in the Annual Report with copies also available on request.

New product information, announcements and information related to stakeholders are made available in a timely manner through various channels of communication which may include publications, website, direct mailers, electronic mail and local media. In addition, the Consolidated Financial Statements of at least past 3 years are available in the Bank's website.

Board of Directors' Responsibilities

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

The Board will approve and oversee the implementation of the Bank's strategies and will review and approve the Bank's strategic plan. As part of its strategic review process the Board will review major action and business plans, set performance objectives and oversee major investments, divestitures and acquisitions. Every year, at an annual Board

strategy session, the Board will formally reassess the Bank's objectives, strategies and plans.

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

The factors to be considered by the Board in its review of potential candidates include:

- Whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards and the values adhered to by the Bank;
- Whether the candidate has had broad business, governmental, non-profit or professional experience that indicates that the candidate would be able to make a significant and immediate contribution to the Board's discussion and decision-making in an array of complex issues;
- Whether the candidate has special skills, expertise and background that add to and complement the range of skills, expertise and background of the existing directors;
- Whether the candidate has had a successful career that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make;
- Whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all of the Bank's shareholders and our other stakeholders in reaching decisions;
- Whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director;
- The application of these factors involves the exercise of judgment and cannot be measured in any mathematical or routine way.

Responsibilities

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

- Ensure that senior management adequately manages the Bank's capital adequacy on a regular basis and periodic reports showing the adequacy of capital to support the business risks of the bank are prepared and submitted to the Board;
- Establish policies for appointing management, and ensuring that they have the necessary integrity, technical and managerial competence, and experience;
- Oversee succession planning and replacing key executives when necessary, and ensuring appropriate resources are available, and minimizing reliance on key individuals;
- Monitor and make formal (annual) evaluations of senior management's performance in implementing agreed strategy and business plans;
- Approve budgets and review performance against those budgets and key performance indicators;
- Approval of Financial Statements;
- Manage the Bank's compliance risk;
- Submit organizational structure or changes to the structure approved by the Board of Directors to the CBB for final approval;
- Develop policy to review the systems and controls framework, and to identify any significant issues related to the Bank's adopted governance framework, processes and practices;
- Ensure to obtain the CBB's approval on the following positions prior to their appointment:
 - o Board Member;
 - o Chief Executive Officer or General Manager and their Deputies;
 - o Chief Financial Officer and/or Financial Controller
 - o Head of Risk Management;
 - o Head of Internal Audit;
 - o Head of Shari'a Review;

- o Compliance Officer;
- o Money Laundering Reporting Officer;
- o Deputy Money Laundering Reporting Officer; and
- o Heads of other Functions.

Responsibilities relating to Risk Management Function

- Approve the Bank's strategies and policies with respect to risk management i.e. credit, operational, market, liquidity, profit rate risk, strategic and legal, E-banking;
- Define the committee responsible for managing the risk whose responsibility includes the following:
 - o Ensure risk management personnel are adequately qualified to investigate and resolve issues relating to potential risks;
 - o Determine acceptable limits of exposure to various types of risks;
 - o Ensure that the risk management function is subject to independent review at least annually and results are communicated to the Board;
 - o Review the Bank's strategy and significant policies at least annually with respect to Risk Management Function;
 - o Ensure that the senior management is adequately carrying out the delegated responsibilities with respect to the Risk Management Function;
 - o Approve disclosure policy in line with applicable regulations.
- Define responsibility of the individuals managing the risk;
- Ensure that the Risk Management manual should clearly define reports to be used for monitoring risk, frequency at which these reports should be prepared and appropriate management levels to which these should be submitted for review.

Compliance and Anti-Money Laundering Function

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 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. Anti-money laundering measures form an important area of the Compliance Function, in addition to areas of corporate governance, disclosure standards, Key Persons trading, conflict of interest and adherence to best practices.

Prior to appointment of the Compliance Manager, the Bank should obtain the CBB's prior approval and ensure he has the necessary qualification and experience necessary for the proposed position.

The Compliance Function is typically responsible for the following:

- o Independent assessment of compliance requirements in relation to the operating activities;
- o Provide guidance on the applicable laws and regulations;
- o Check and evaluate internal policies and limits with the CBB rules and regulations;
 - o Evaluate compliance of the practices adopted to disseminate information to respective business units with the CBB rules and regulations;
- o Develop programmes for training staff on laws, regulations and internal policies;
- o Carryout compliance monitoring activities;
- o Reporting exceptions to the senior management and the Board or its committees.

The Bank has documented an Anti-Money Laundering and Combating Terrorist Financing Policy and Procedure which contains sound customer due diligence measures, procedure for identifying and reporting suspicious transactions, a program for periodic awareness training to employees, record-keeping and a designated Money Laundering Reporting Officer (MLRO). 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 & Corporate Governance Committee of the Board. The Central Bank performs periodic inspections on 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 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 49 recommendations, 'Customer Due Diligence for Banks' paper, and best international practices.

Customer Complaints

The Complaints Resolution Unit of the Quality Assurance Department is responsible for managing customer complaints. After receiving a complaint, the Unit routes it to the concerned department for their response. After analyzing the response, the customer is contacted accordingly. BisB customers may use the Bank's website or the call centre for lodging a complaint. All complaints are logged, monitored and reported to the CBB.

Review of Internal Control Processes and Procedures

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

Board of Directors Membership Terms and Termination

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

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

- If a member fails to attend four consecutive meetings without a reasonable excuse;
- If he tenders his resignation in writing;
- If he fails to fulfill any of the conditions referred to in Article 26 of Bahrain Islamic Bank's Memorandum of Association;
- If he is appointed or elected in violation of the provisions of the law;
- If he abuses his membership for carrying on other business that competes with or is detrimental to the company's business;
- If the shareholder who nominates him applied for his removal.

Board Meetings and Attendance in 2016

Members	28 Jan	21 Feb	23 Mar	02 May	07 Aug	10 Aug	06 Nov	14 Dec	15 Dec
Dr. Esam Abdulla Fakhro (Appointed on: 23 Mar 2016 as NBB's representative replacing Abdul Razaq Al Qassim)	-	-	✓	✓	✓	✓	✓	✓	✓
Abdul Razaq Abdulla Al Qassim (Replaced by Dr. Esam Abdulla Fakhro on: 23 Mar 2016)	✓	✓	-	-	-	-	-	-	-
Khalid Mohammed Al Mannai (Re-appointed on: 23 Mar 2016)	x	✓	✓	✓	✓	✓	✓	x	x
Khaled Yusuf AbdulRahman (Appointed as NBB's representative replacing Fatima Abdulla Budhaish on:23 Mar 2016)	-	-	x	✓	✓	✓	✓	✓	✓
Fatima Abdulla Budhaish (Replaced by Khaled Yusuf AbdulRahman on: 23 Mar 2016)	✓	x	-	-	-	-	-	-	-
Mohammed Ahmed Abdulla (Re-appointed on: 23 Mar 2016)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Talal Ali Al Zain (Re-elected: 23 Mar 2016)	x	✓	✓	✓	✓	x	x	✓	✓
Khalil Ebrahim Nooruddin (Re-elected on: 23 Mar 2016)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ebrahim Husain Aljassmi (Re-elected on: 23Mar 2016)	x	✓	✓	✓	✓	✓	✓	✓	✓
Othman Ebrahim Al Askar (Re-appointed on: 23 Mar 2016)	✓	✓	✓	✓	✓	✓	✓	✓	✓

Muhammad Zarrug Rajab (Re-appointed on: 23 Mar 2016)	✓	✓	✓	✓	✓	✓	✓	✓	✓
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Board Committees, Members and Objectives

Board Committee	Members	Objectives
Executive Committee	<p>Khalid Mohammed Al Mannai Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Khalil Ebrahim Nooruddin • Khaled Yusuf AbdulRahman* • Mohammed Ahmed Abdulla** • Hassan Amin Jarrar (non-voting member) <p>*Joined as a member of the committee on 04 Oct 2016 replacing Ebrahim Husain AlJassmi.</p> <p>**Joined as a member of the committee on 31 Mar 2016 replacing Talal Ali Al-Zain.</p>	<p>Review of strategy and performance. Review of new investment proposals, credit proposals, and exit strategies.</p> <p>The committee meets at least six times per year.</p>
Audit & Corporate Governance Committee	<p>Ebrahim Husain AlJassmi* Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Othman Ebrahim Al Askar • Muhammad Zarrug Rajab <p>*Re-joined as Chairman of the</p>	<p>Oversight of integrity and reporting of the Bank's quarterly and annual financial statements.</p> <p>Review of risk, provision and impairment. Compliance with legal and regulatory requirements.</p>

	committee on 03 Nov 2016 replacing Khaled Yusuf AbdulRahman which was appointed as NBB's representative during the AGM held 23 Mar 2016, and selected as Chariman of the committee on a temporary basis.	The committee meets at least four times per year.
Nomination and Remuneration Committee	<p>Dr. Esam Abdulla Fakhro* Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Khalid Mohammed Al Mannai • Mohammed Ahmed Abdulla <p>*Appointed on 23 Mar 2016 as NBB's representative replacing the former Chairman Abdul Razak Abdulla Al Qassim.</p>	<p>Oversight of the compensation and remuneration policy.</p> <p>Oversight of recruitment & promotion of key personnel and Board members.</p> <p>The committee meets at least two times per year.</p>

Executive Committee Meetings and Attendance

Members	12 Jan	31 Mar	20 Apr	12 Jun	26 Jun	26 Jul	02 Aug	04 Oct	29 Nov
Khalid Mohammed Al Mannai	✓	✓	✓	✓	✓	✓	✓	✓	✓
Khalil Ebrahim Nooruddin	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mohammed Ahmed Abdulla	-	✓	✓	✓	✓	✓	✓	✓	✓
Khaled Yusuf AbdulRahman	-	-	-	-	-	-	-	✓	✓
Ebrahim Husain Aljassmi	-	✓	✓	✓	✓	✓	✓	-	-
Talal Ali Al-Zain	✓	-	-	-	-	-	-	-	-
Hassan Amin Jarrar	✓	✓	✓	✗	✓	✓	✓	✓	✓

Audit & Corporate Governance Committee Meetings and Attendance

Members	09 Feb	21 Feb	13 Mar	24 Apr	02 Ma	08 Au	03 Nov	13 De

					y	g		c
Ebrahim Husain AlJasmi	✓	✓	✓	-	-	-	✓	✓
Khaled Yusuf AbdulRahman	-	-	-	✓	✓	✓	-	-
Othman Ebrahim Al Askar	✓	✓	✓	✓	✓	✓	✓	✓
Muhammad Zarrug Rajab	✓	✓	✓	✓	✓	✓	✓	✓

Nomination & Remuneration Committee Meetings and Attendance

Members	21 Feb	07 Mar	30 Aug
Dr. Esam Abdulla Fakhro	-	-	✓
Abdul Razak Abdulla Al Qassim	✓	✓	-
Khalid Mohammed Al Mannai	✓	✓	✓
Mohammed Ahmed Abdulla	✓	✓	✓

Evaluation of the Board and Each Committee

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

Shari'a Supervisory Board

Shari'a Supervisory Board Report

In The Name of Allah, most Gracious, most Merciful Peace and Blessings Be Upon His Messenger.

To the shareholders of Bahrain Islamic Bank B.S.C.

AssalamAlaykumWaRahmatu Allah WaBarakatoh.

The Shari'a Board hereby present the following report on its activities in supervising the Bank's finances and investments from a Shari'a perspective for the financial year ending on 31st December 2016, in fulfillment to the mandate conferred upon it by BisB's Articles of Association:

The Sharia'a Supervisory Board monitored the operations, related to the Bank throughout the year ended on 31st December 2016 to express opinion on the Bank's adherence to the provisions and principles of Islamic Sharia'a in its activities by following the fatwas, decisions and the specific guidelines issued from our side.

The Sharia'a Supervisory Board believes that ensuring the conformity of Bank's activities and investments with the provisions of Islamic Sharia'a is the sole responsibility of the Management while the Sharia'a Supervisory Board is only responsible for expressing an independent opinion and preparing a report to you.

We planned with the Sharia'a Internal Audit department to carry out monitoring functions by obtaining all the information and clarifications that were deemed necessary to confirm that the Bank did not violate the principles and provisions of Islamic Sharia'a and Fatwas and decisions of the Sharia'a Board.

Our supervision constituted of inspection, documenting of policies followed by the Bank on the basis of examining each kind of operation either directly or indirectly by the internal Sharia'a Department in conformity with the methodology approved by the Sharia'a Board.

The Sharia'a Internal Audit department performed its mission of auditing the transactions executed by the Bank and submitted its periodic reports to the Sharia'a Supervisory Board, which confirmed the Bank's adherence in its dealings and investments with the Sharia'a Board's fatwas and decisions.

The 14 reports submitted by Internal Sharia Audit Department to the Sharia'a Supervisory Board included results of auditing the files, contracts, executed deals in fulfillment to the Sharia'a Board annual approved audit plan. The Sharia'a Board obtained the requested information and explanations from the departments it deemed necessary to confirm that the Bank did not violate the Sharia principles and Fatwas and decisions of the Sharia'a Board.

The Sharia Board and its Committees held (14) meetings during the year and issued (73) decisions and fatwas, and approved (58) contracts.

The Sharia Board has reviewed the financial Statements for the year ended on 31st December 2016, the income statement, the attached notes and the Zakat calculation methods. The Sharia'a Supervisory Board believes that:

1. All the Financial Statements inspected by the Sharia'a Board conform to what has been approved by the Board, and to the standards issued by the Accounting & Auditing Organization for Islamic Financial Institutions AAOIFI.
2. Contracts, and transactions conducted by the Bank throughout were in accordance with the standard contracts pre-approved by the Sharia'a Supervisory Board.
3. The distribution of profit and allocation of losses on investment accounts was in line with the basis and principles approved by the Sharia'a Supervisory Board and in accordance to Islamic Sharia.
4. Any gains resulted from sources or means prohibited by the provisions and principles of Islamic Sharia'a, have been directed to the Charity and Donations Fund.
5. Zakah was calculated according to the provisions and principles of Islamic Sharia'a, by the net invested assets method. And the shareholders should pay their portion of Zakah on their shares as stated in the financial report.
6. The Bank was committed to the Sharia'a standards issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI).

We pray that Allah may grant all of us further success and prosperity.

Earnings prohibited by Shari'a

The Group is committed to avoid recognition of any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity fund where the Group uses these funds for social welfare activities.

Shari'a Supervisory Board members' Profiles

Shaikh Dr. Abdul Latif Mahmood Al Mahmood

Chairman of Shari'a Supervisory Board

- Head of Arabic Language and Islamic Studies Department at the University of Bahrain previously.

- Member of the Shari'a Supervisory Board of Takaful International, Kingdom of Bahrain.
- Member of the Shari'a Supervisory Board of ABC Islamic Bank, Kingdom of Bahrain.
- Member of the Shari'a Supervisory Board of ABC Islamic Bank, London.
- Preacher at a number of Bahrain's mosques since 1973.
- He gives lessons in Koran interpretation, jurisprudence, principles of jurisprudence and preaching.
- Member of the Joint Shari'a Supervisory Board of Albaraka Group.
- He participated in a number of jurisprudence, educational, economic, intellectual, social and cultural conferences and seminars.

Shaikh Mohammed Jaffar Al Juffairi

Vice Chairman of Shari'a Supervisory Board

- Judge of the High Shari'a Court of Appeal and seconded as President of the High Shari'a Court, Ministry of Justice, Kingdom of Bahrain.
- Former Member of the Zakat Committee, Ministry of Justice.

Shaikh Adnan Abdulla Al Qattan

Shari'a Supervisory Board Member

- Judge of the High Shari'a, Ministry of Justice, Kingdom of Bahrain.
- Member of the Board of Directors of Sanabil for Orphan Care.
- Chairman of the Orphans and Widows Care Committee, of the Royal Court.
- Chairman of the Pilgrimage Mission, of the Kingdom of Bahrain.
- Puisne Justice of the High Shari'a Court.
- Preacher of Ahmed Al Fateh Islamic Mosque.

- He participated in a number of Islamic committees, courses, seminars and conferences.
- He worked as Notary Public at the Ministry of Justice and Islamic Affairs from 1981 to 1983.
- He worked as a teacher at the Islamic Studies Department, University of Bahrain.

Shaikh Dr. Nedham Mohamed Saleh Yacoubi

Shari'a Supervisory Board Member

- Member of the Shari'a Supervisory Board at:
 - o Bahrain Islamic Bank – Kingdom of Bahrain.
 - o Abu Dhabi Islamic Bank, UAE.
 - o Sharjah Islamic Bank, UAE.
 - o Ithmaar Bank, Kingdom of Bahrain.
 - o Gulf Finance House, Kingdom of Bahrain.
 - o ABC Islamic Bank, Kingdom of Bahrain.
 - o ABC Islamic Bank, London.
 - o Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Businessman.

Shaikh Dr. Essam Khalaf Al Enizi

Shari'a Supervisory Board Member

- University of Kuwait Faculty – Shari'a and Islamic Studies
- Member of Shari'a Supervisory Board at:

Bahrain Islamic Bank – Kingdom of Bahrain.

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Boubyan Bank – State of Kuwait.

Ithmaar Bank – Kingdom of Bahrain.

Investment Dar – State of Kuwait.

Shari’a Supervisory Board Members and its Objective

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

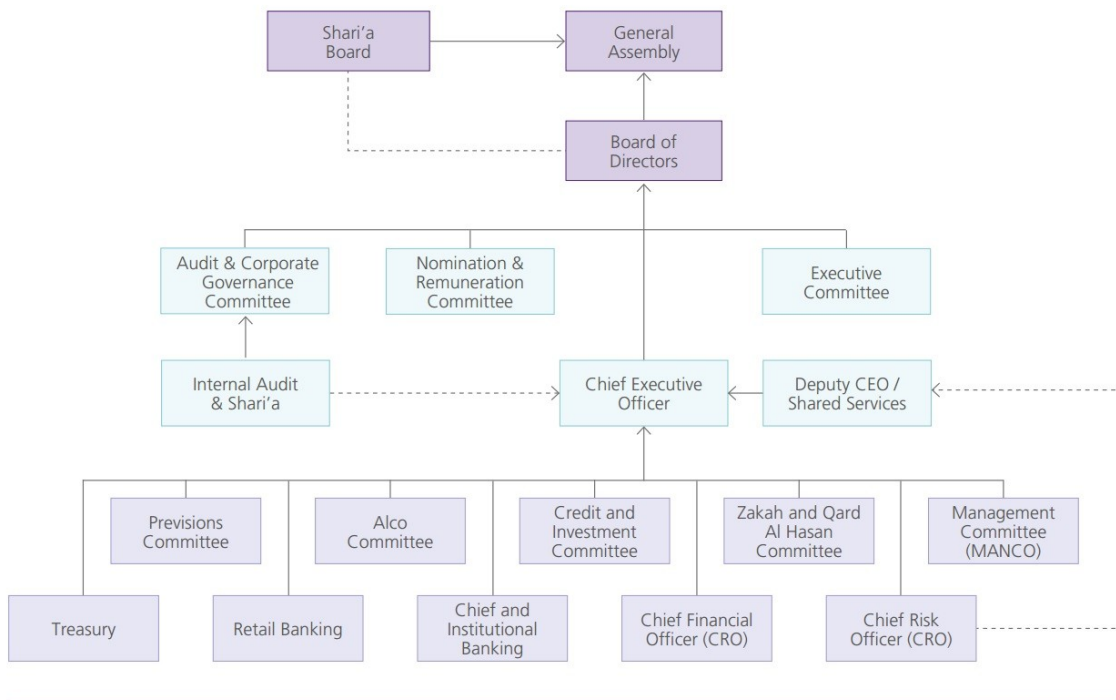
Shari’a Board Meetings

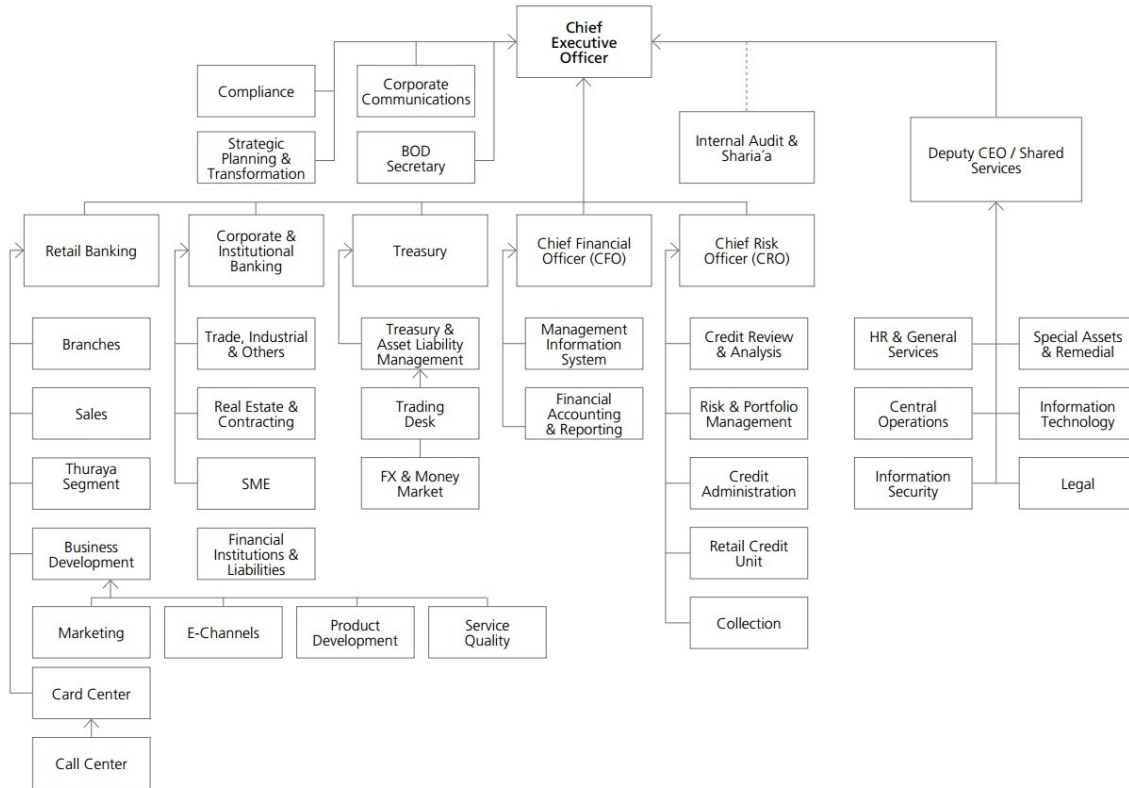
Members	03 Mar	05 Jun	29 Aug	15 Nov
Sh. Dr. Abdul Latif Al Mahmood	✓	✓	✓	✓
Sh. Mohammed Al Juffairi	✓	✓	X	✓
Sh. Adnan Al Qattan	✓	✓	✓	✓
Sh. Dr. Nedham Yacoubi	✓	✓	✓	X
Sh. Dr. Essam Al Enizi	✓	✓	✓	✓

Bank's structure

Bank's structure

Board of Directors & Executive Management





Executive Management, business title, experience in years and the qualifications of each Executive member

Name of Executive Member	Designation	Profession	Experience in years	Qualification
Hassan Amin Jarrar	CEO	Banker	28	BSc in Finance from California State University, San Jose.
Mohammed Ahmed Janahi	Deputy CEO	Banker	48	Advance Management for Senior Decision Makers
A. Rahman Mohammed Turki	GM - Retail Banking	Banker	44	Master Degree in Business Administration from University of Strathclyde, Scotland

Wesam A.Aziz Baqer	AGM - Corporate Banking	Banker	15	MSc (Economics) in Finance and Investment Management from the University of Aberdeen, Scotland. BS in Business Administration from the University of Bahrain. Certified Financial Adviser (CeFA).
Khalid Mohammed Al Doseri	Chief Financial Officer	Accountant	33	CPA from American Institute of Certified Public Accountants MBA degree from University of Glamorgan, Wales - UK
Khalid Mahmood	AGM - Internal Audit & Shari'a	Accountant	22	CPA from American Institute of Certified Public Accountants.
Fahim Ahmed Shafiqi	Chief Risk Officer	Banker	18	Diploma in Islamic Finance (CDIF). MBA from University of Warwick, UK.
Dawood Khalil AlAshhab	AGM - Human Resources & Services	HR	17	BS in Public Administration. Certified coach

				from the Gallup University, UK.
Maisa Shunnar	Senior Manager - Strategy Implementation and transformation	Strategy Implementation & Transformation	17	Masters of Business Communication & Leadership, Jones International University, Colorado, USA.
Khaled A. Rahman Nass	Senior Manager - Compliance & Anti-Money Laundering	Banker	15	MBA from the Webster University of Orlando, USA. BsBA in Finance from the University of Central Florida, USA.

Management Committees

Committee(s)	Members	Objectives
Management Committee (MANCO)	<p>Hassan Amin Jarrar Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Mohammed Ahmed Janahi • A. Rahman Turki • Fahim Shafiqi • Khalid Al Doseri • Khalid Mahmood • Wesam A.Aziz Baqer • Hassan Abu Hassan • Dawood Al Ashhab • Hassan A.Wahab Al Khan • Khalid A.Rahman Nass • Maisa Shunnar 	<p>The main objective of the MANCO is to review the Bank's strategy, business performance and updates, follow up on the bank's internal and external projects. That, in addition to conducting a review of key risks and issues facing the bank, and issuing resolutions for the smooth execution of work.</p>

<p>Asset & Liability Committee (ALCO)</p>	<p>Hassan Amin Jarrar Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Mohammed Ahmed Janahi • A. Rahman Turki • Fahim Shafiqi • Khalid Al Doseri • Nader Al Bastaki* <p>*Nader AlBastaki last working day was on 30 Nov 2016.</p>	<p>The main objective of ALCO is to manage and monitor the liquidity risk of the Bank on a coordinated and consistent basis.</p>
<p>Credit & Investment Committee (C&IC)</p>	<p>Hassan Amin Jarrar Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Fahim Shafiqi • A. Rahman Turki • Wesam A.Aziz Baqer • Nader Al Bastaki* <p>*Nader AlBastaki last working day was on 30 Nov 2016.</p>	<p>The main objectives of C&IC is to exercise due care, diligence and skill to oversee, direct and review the management of credit risk within the financing portfolio of the Bank and reviewing policies and strategies for achieving investment objectives.</p>
<p>Qard Al Hassan, Donation & Zakah Committee</p>	<p>Mohammed Ahmed Janahi Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Hamad Farooq AlShaikh • Khaled Waheeb AlNasser • Ali Hassan Duaij 	<p>The main objective of Qard Al Hassan and Zakah Committee is to discharge the Group's social responsibilities toward its society through distributing zakah, charity funds, donations & good faith Qard for marriage, medical treatments, etc.</p>
<p>Provisioning Committee</p>	<p>Hassan Amin Jarrar Chairman</p> <p>Members</p>	<p>The main objective of Provisioning Committee is to assist the CEO in reviewing the bank's provisions. In addition, the Committee</p>

	<ul style="list-style-type: none"> • Mohammed Ahmed Janahi • Fahim Shafiqi • Khalid Al Doseri • Khalid Mahmood (observer) 	would be responsible in formulating provision policies with a view to maintain the strategic risk level objectives of the bank.
Credit & Operational Risk Committee (CORC)	<p>Hassan Amin Jarrar Chairman</p> <p>Members</p> <ul style="list-style-type: none"> • Mohammed Ahmed Janahi • A.Rahman Turki • Fahim Shafiqi • Khalid Al Doseri • Khalid Mahmood • Wesam A.Aziz Baqer • Hassan Abu Hassan • Dawood Al Ashhab • Hassan A.Wahab Al Khan • Mohsin Al Khan • Siddharth Kumar • Khalid A.Rahman Nass • Osama Muein • Saleh Al Mehri 	The main objective of the Credit & Operational Risk Committee is to oversight the risk management framework. It reviews the credit and investment portfolio, and operational risk issues as well as findings of any sub-committees. That, in addition to updates on open audit items and compliance & regulatory issues.

Performance-linked incentive structure

The Remuneration of all Directors is governed and comply with the provision of the Commercial Companies law no 21 for the year 2001 and CBB Law promulgated by decree no. (64) of 2006.

The Bank remunerates Directors in a manner consistent with the prevailing best practice within banking industry. The current entitlement comprise of setting fees paid per meeting on an annual basis. Non-resident directors are also entitled to full travel expenses.

In addition, the performance of all Board members is evaluated annually by the Nomination & Remuneration Committee based on their contribution in the board meetings and Permanent Committees.

Board of Directors and Senior Management Aggregate Remuneration and Sitting Fees

Board of Directors Sitting Fees

The aggregate Board remuneration was BD 178 thousands for the year 2016.

Senior Management Aggregate Remuneration

The aggregate Senior Management remuneration was BD 1.4 million including basic salaries and fixed allowances for the year 2016.

Succession Planning

Succession planning in the bank is driven by our Business strategy and future focused. The primary objective of the plan is to develop our people to meet future demands of the bank. The output is better internally resourcing and highly capable people filling our key positions, our process ensure that we meet our regulatory commitments.

Approval Process for Related Party Transactions

The bank monitors these exposures carefully on a periodic basis. Exposures to these obligors are subject to normal credit review and approval process (in line with Credit Policy) on an arm's length basis. These are also specially whetted for all regulatory compliance purposes.

Shareholders Ownership (5% and above)

Shareholder	Nationality	Number of Shares	Percentage
Social Insurance Organization (Military, GOSI & Civil)	Bahrain	294,484,927	29.06%
National Bank of Bahrain	Bahrain	294,482,159	29.06%
Islamic Development Bank	Saudi Arabia	146,117,221	14.42%

Kuwait Awqaf Public Foundation	Kuwait	72,729,830	7.17%
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Distribution of Ownership of Shares by Nationality

Country	Percentage	Number of Shares
Kingdom of Bahrain	73.12%	740,988,582
Kingdom of Saudi Arabia	15.08%	152,801,646
Kuwait	8.67%	87,855,115
United Arab Emirates	2.98%	30,160,940
Qatar	0.13%	1,316,990
Others	0.03%	265,857
Total	100.000%	1,013,389,130

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

Directors	Shares as of 31 st Dec 2015	Shares as of 31 st Dec 2016
Dr. Esam Abdulla Fakhro (Appointed on: 23 Mar 2016 as NBB's representative replacing Abdul Razaq Al Qassim)	0	0
Abdul Razak Abdulla Al Qassim (Replaced by Dr. Esam Abdulla Fakhro on: 23 Mar 2016)	84,658	0
Khalid Mohamed Al Mannai	0	0
Mohammed Ahmed Abdulla	0	0
Khaled Yusuf AbdulRahman (Appointed as NBB's representative replacing Fatima Abdulla Budhaish on: 23 Mar 2016)	0	0
Fatima Abdulla Budhaish (Replaced by Khaled Yusuf AbdulRahman on: 23 Mar 2016)	84,658	0
Talal Ali Al Zain	0	0
Khalil Ebrahim Nooruddin	0	0
Ebrahim Husain AlJassmi	184,658	192,044
Othman Ebrahim Al Askar	84,658	88,044

Muhammad Zarrug Rajab	129,070	134,232
Shari'a Members		
Shaikh Dr. Abdul Latif Mahmood Al Mahmood	157,035	168,216
Shaikh Dr. Nedham Mohamed Saleh Yacoubi	12,123	12,607
Shaikh Mohammed Jaffar Al Juffairi	0	0
Shaikh Adnan Abdulla Al Qattan	0	0
Shaikh Dr. Essam Khalaf Al Enizi	0	0
Approved Persons		
Hassan Amin Jarrar - Chief Executive Officer	0	206,573
Mohammed Ahmed Janahi - Deputy Chief Executive Officer	0	50,385
A. Rahman Mohammed Turki - GM, Retail	21,369	52,934
Wesam A. Aziz Baqer - AGM, Corporate Banking	6,929	22,375
Khalid Mohammed Al Doseri - Chief Financial Officer	0	31,112
Khalid Mahmood - AGM, Internal Audit	0	34,705
Fahim Shafiqi - Chief Risk Officer	0	0
Dawood Khalil AlAshhab - AGM, Human Resources & General Services	0	2,918
Hassan A. Wahab Al Khan - AGM, Central Operations	0	10,800
Hamad Farooq AlShaikh - Senior Manager Head of Shari'a	0	0
Hussain AlBanna - Senior Manager, Acting Head of Treasury	0	0
Hassan Abu Hassan - AGM, Head of IT	0	6,694
Osama Muein - Head of Special Assets	0	0

Maisa Shunnar – Head of Strategy Implementation & Transformation	0	0
Khaled A.Rahman Nass – Senior Manager, Head of Compliance & AML	0	0
Mohammed Adnan AlAnsari – Deputy MLRO	0	0

Corporate Social Responsibility

Since inception, BisB has been committed to supporting the social and economic development of the Kingdom of Bahrain. As a concerned corporate citizen, we have put in place a comprehensive corporate social responsibility programme that provides financial assistance to various charitable, educational, medical, cultural and sporting organizations and events, and deserving causes; and also supports the development of Bahrain’s financial services industry. In line with the Bank’s business philosophy, we are particularly keen to support initiatives that foster entrepreneurship and that encourage the development of tomorrow’s leaders.