

بنك البحرين الإسلامي



BisB Corporate Governance Report 2015

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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-Level 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 four 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.

Bahrain Islamic Bank's Board of Directors

Board members Profile

Abdul Razak Abdulla Al Qassim

Chairman and Chairman of Nomination and Remuneration Committee

Mr. Abdul Razak Al Qassim is the Chief Executive Officer and Director of National Bank of Bahrain (NBB). He is the Chairman of the Board of Directors of Bahrain Islamic Bank (BisB); Chairman of Benefit Company; Chairman of Bahrain Association of Banks; Deputy Chairman, Chairman of Executive Committee and Member of Nomination and Remuneration Committee at Bahrain Telecommunication Company (Batelco); Deputy Chairman of Umniah Mobile Company (Jordan); Deputy Chairman of Dhivehi Raajeyge Gulhn plc. (Dhiraagu), Maldives; Deputy Chairman of Qualitynet, Kuwait, Deputy Chairman of Sure Guernsey Limited, Sure Jersey Limited and of Sure Isle of Man Limited; Board Member of the Crown Prince International Scholarship Programme; Board Member of Deposit and URIA Protection Board at Central Bank of Bahrain. He holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology), USA.

Brigadier Khalid Mohammed Al Mannai

Vice Chairman and Chairman of the Executive Committee

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 34 years' professional experience.

Fatima Abdulla Budhaish

Board Member

Mrs. Fatima Abdulla Budhaish is Assistant General Manager and head the Credit Risk Department - Risk Group of National Bank of Bahrain (NBB). Additionally she holds membership in the Asset/Liability Committee, Business Continuity Planning Committee and Credit Committee. Mrs. Budhaish is a Certified Public Accountant (CPA) from USA. She also holds an Executive MBA and Bachelor in Accounting from University of Bahrain. Mrs. Budhaish also completed an Executive Management Leadership Diploma from Darden Graduate School of Business, University of Virginia (USA). She joined NBB in 2004, and worked in various capacities before taking up her current position as Assistant General Manager. Prior to this, she spent five years with BBK. Mrs. Budhaish is an experienced banker with over 17 years' professional experience.

Mohammed Ahmed Abdulla

Board Member

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 AG-Bahrain Branch and Credit Suisse AG-Dubai. He started his career at HSBC Middle East, before moving to Merrill Lynch-Bahrain where he spent 7 years. Mohammed Ahmed is a Board Member, Chairman of the Nomination & Remuneration Committee and Audit Committee Member at both the Medgulf Group and Medgulf Allianz Takaful. Furthermore, he is a Board Member and Vice Chairman of the Audit Committee of Bahrain Commercial Facilities Company. 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 16 years' professional experience.

Talal Ali Al Zain

Board Member and Chairman of the Risk Committee

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 a 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 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

Mr. Khalil Ebrahim Nooruddin is an experienced banker, at both an executive and board level. Currently, he is the Managing Partner of Capital Knowledge, a consulting and training company. Over the past 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 Stern Business School at New York University, USA; and a BSc in Systems Engineering from 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

Mr. Ebrahim Husain 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. 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 34 years' experience in both conventional and Islamic banking.

Othman Ebrahim Naser Al Askar

Board Member

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 28 years' professional experience.

Mohammed Hedi Mejai

Board Member

Mohamed Hedi Mejai is currently Head of Investment Department at Islamic Development Bank (IDB). A senior executive banker with a strong track record in investments structuring and post-acquisition in various asset classes, fund management and fund raising; and has a wide international business network. He joined IDB in 1998 as part of the Young Professional Program and progressed in various positions until reached Division Chief, Investment Operation and Marketing in the period July 2002-Aug 2005. He served as CEO & Board Member of Oryx Capital Ltd (OC), Dubai, United Arab Emirates since May 2011. OC is an investment banking firm regulated by the Dubai Financial Service Authority in UAE. Also served as Executive Director at International Investment Bank (IIB), Manama, Kingdom of Bahrain during the period August 2005 – May 2010. IIB is an investment bank regulated by the Central Bank of Bahrain focusing on private equity and real estate internationally. He holds Master of Science in Development Studies from University of London in November 1997 and a Master of Business Administration from Theseus International Management Institute – France in July 1998.

Muhammad Zarrug Rajab

Board Member

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. Abdul Razak Abdulla Al Qassim (Joined on: 05-06-2013).
2. Brigadier Khalid Mohammed Al Mannai (Joined on: 11-06-2013).
3. Fatima Abdulla Budhaish (Joined on: 05-06-2013).
4. Mohammed Ahmed Abdulla (Joined on: 11-06-2013).
5. Talal Ali Al Zain (Joined on: 07-07-2013).
6. Khalil Ebrahim Nooruddin (Joined on: 07-07-2013).
7. Ebrahim Husain Ebrahim AlJassmi (Joined on: 07-07-2013).
8. Othman Ebrahim Naser Al Askar (Joined on: 07-07-2013).
9. Mohamed Hedi Mejai (Joined on: 26-01-2015) (Replaced by Muhammad Zarrug Rajab on: 30-12-2015).

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 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:
 - Board Member;
 - Chief Executive Officer or General Manager and their Deputies;
 - Chief Financial Officer and/or Financial Controller
 - Head of Risk Management;
 - Head of Internal Audit;
 - Head of Shari'a Review;
 - Compliance Officer;
 - Money Laundering Reporting Officer;
 - Deputy Money Laundering Reporting Officer; and
 - 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:

- Ensure risk management personnel are adequately qualified to investigate and resolve issues relating to potential risks;
 - Determine acceptable limits of exposure to various types of risks;
 - Ensure that the risk management function is subject to independent review at least annually and results are communicated to the Board;
 - Review the Bank's strategy and significant policies at least annually with respect to Risk Management Function;
 - Ensure that the senior management is adequately carrying out the delegated responsibilities with respect to the Risk Management Function;
 - 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:

- Independent assessment of compliance requirements in relation to the operating activities;
- Provide guidance on the applicable laws and regulations;
- Check and evaluate internal policies and limits with the CBB rules and regulations;
- Evaluate compliance of the practices adopted to disseminate information to respective business units with the CBB rules and regulations;
- Develop programmes for training staff on laws, regulations and internal policies;
- Carryout compliance monitoring activities;
- 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 2015

Members	14 Jan	11 Feb	23 Mar	12 May	29 Jul	2 Aug	28 Oct
Abdul Razak Abdulla Al Qassim (Joined on: 05 June 2013)	✓	✓	✓	✓	✓	✓	✓
Khalid Mohammed Al Mannai (Joined on: 11 June 2013)	X	✓	✓	✓	✓	✓	✓
Fatima Abdulla Budhaish (Joined on: 05 June 2013)	✓	✓	✓	✓	✓	✓	✓
Mohammed Ahmed Abdulla (Joined on: 11 June 2013)	✓	✓	✓	✓	✓	✓	✓
Talal Ali Al Zain (Joined on: 07 July 2013)	✓	✓	✓	✓	X	✓	✓
Khalil Ebrahim Nooruddin (Joined on: 07 July 2013)	✓	✓	✓	✓	✓	✓	✓
Ebrahim Husain AlJassmi (Joined on: 07 July 2013)	✓	✓	✓	✓	✓	✓	✓
Othman Ebrahim Al Askar (Joined on: 07 July 2013)	✓	✓	✓	✓	✓	✓	✓
Mr. Mohamed Hedi Mejai (Joined on: 26 Jan 2015, and replaced by Muhammad Zarrug Rajab on: 30 Dec 2015)	-	✓	✓	X	X	X	✓

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"> Talal Ali Al Zain Khalil Ebrahim Nooruddin 	<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 Mohamed Hedi Mejai 	<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> <p>The committee meets at least four times per year.</p>

Nomination and Remuneration Committee	Abdul Razak Abdulla Al Qassim Chairman Members <ul style="list-style-type: none"> • Khalid Mohammed Al Mannai • Mohammed Ahmed Abdulla 	Oversight of the compensation and remuneration policy. Oversight of recruitment & promotion of key personnel and Board members. The committee meets at least two times per year.
Risk Management Committee	Fatima Abdulla Budhaish Chairman Members <ul style="list-style-type: none"> • Mohammed Ahmed Abdulla 	Monitoring the enterprise-wide risk profile independently. Risk Guidance to the Board and Management periodically The committee meets at least four times per year.

Executive Committee Meetings and Attendance

Members	21 Jan	3 Feb	12 Mar	15 Apr	3 Jun	9 Jun	14 Jul	5 Aug	9 Sep	29 Nov	14 Dec
Khalid Mohammed Al Mannai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Khalil Ebrahim Nooruddin	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Talal Ali Al Zain	✓	✓	✓	✓	X	X	✓	✓	X	✓	✓

Audit & Corporate Governance Committee Meetings and Attendance

Members	13 Jan	2 Feb	10 Feb	16 Apr	26 Apr	11 May	28 Jul	27 Oct
Ebrahim Husain AlJassmi	✓	✓	✓	✓	✓	✓	✓	✓
Othman Ebrahim Al Askar	✓	✓	✓	✓	✓	✓	✓	✓
Mohammed Hedi Mejai	-	-	-	X	✓	X	✓	✓

Risk Management Committee Meetings and Attendance

Members	27 Jan	22 Mar	5 Apr	8 Apr	24 Jun	13 Jun	7 Oct
Fatima Abdulla Budhaish	✓	✓	✓	✓	✓	✓	✓
Mohammed Ahmed Abdulla	✓	✓	✓	✓	✓	✓	✓

Nomination & Remuneration Committee Meetings and Attendance

Members	1 Mar	10 Mar	10 Aug	12 Nov
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 2015, in fulfillment to the mandate conferred upon it by BisB's Articles of Association:

The Shari'a Supervisory Board monitored the operations, related to the Bank throughout the year ended on 31st December 2015 to express opinion on the Bank's adherence to the provisions and principles of Islamic Shari'a in its activities by following the fatwas, decisions and the specific guidelines issued from our side.

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

We planned with the Shari'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 Shari'a and Fatwas and decisions of the Shari'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 Shari'a Department in conformity with the methodology approved by the Shari'a Board.

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

The 27 reports submitted by Internal Shari'a Audit Department to the Shari'a Supervisory Board included results of auditing the files, contracts, executed deals in fulfillment to the Shari'a Board annual approved audit plan. The Shari'a Board obtained the requested information and explanations from the departments it deemed necessary to confirm that the Bank did not violate the Shari'a principles and Fatwas and decisions of the Shari'a Board.

The Shari'a Board and its Committees held (11) meetings during the year and issued (95) decisions and fatwas, and approved (34) contracts.

The Shari'a Board has reviewed the financial Statements for the year ended on 31st December 2015, the income statement, the attached notes and the Zakat calculation methods.

The Shari'a Supervisory Board believes that:

1. All the Financial Statements inspected by the Shari'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 Shari'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 Shari'a Supervisory Board and in accordance to Islamic Shari'a.
4. Any gains resulted from sources or means prohibited by the provisions and principles of Islamic Shari'a, have been directed to the Charity and Donations Fund.
5. Zakah was calculated according to the provisions and principles of Islamic Shari'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 Shari'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:
 - Bahrain Islamic Bank – Kingdom of Bahrain.
 - Abu Dhabi Islamic Bank, UAE.
 - Sharjah Islamic Bank, UAE.
 - Ithmaar Bank, Kingdom of Bahrain.
 - Gulf Finance House, Kingdom of Bahrain.
 - ABC Islamic Bank, Kingdom of Bahrain.
 - ABC Islamic Bank, London.
 - 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.

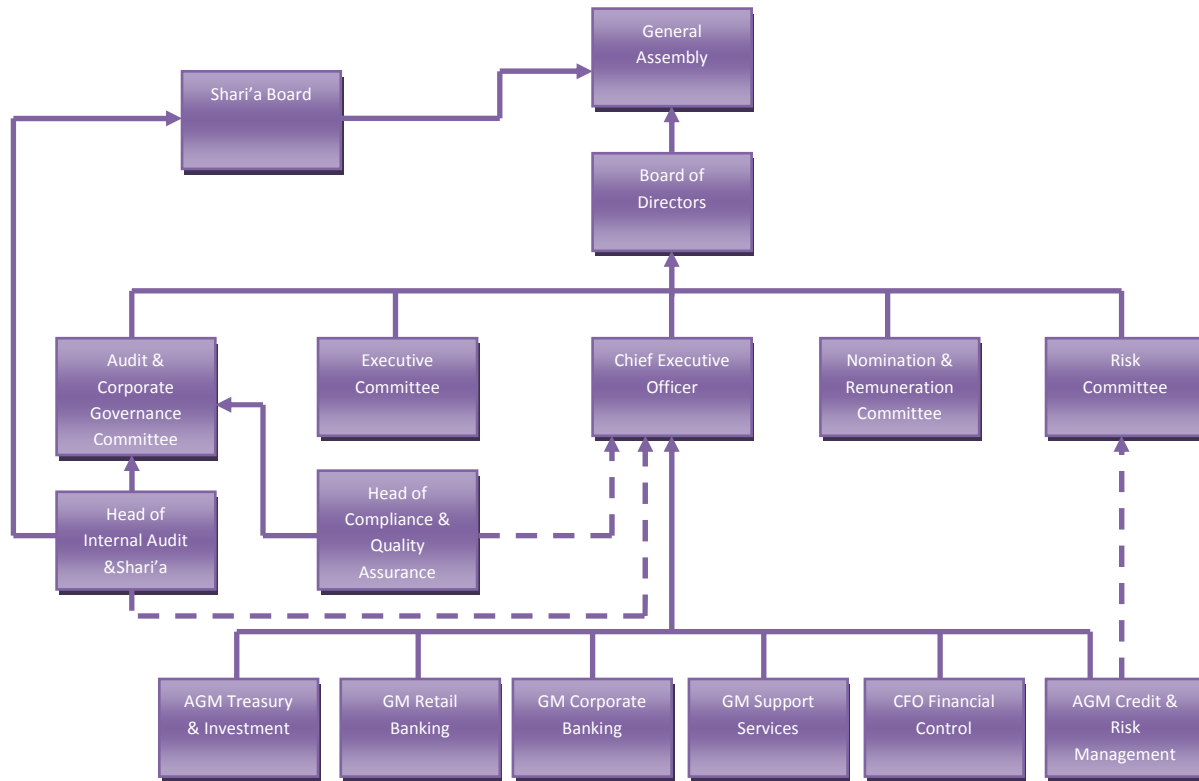
Shari'a Supervisory Board Members and its Objective

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	17 Feb	7 May	4 Oct	8 Dec
Sh. Dr. Abdul Latif Al Mahmood	✓	✓	✓	✓
Sh. Mohammed Al Juffairi	✓	✓	✓	✓
Sh. Adnan Al Qattan	✓	✓	✓	✓
Sh. Dr. Nedham Yacoubi	✓	X	✓	✓
Sh. Dr. Essam Al Enizi	✓	✓	✓	✓

Bank's Structure



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

Name of Experience Executive Member	Designation	Profession	Experience in years	Qualification
Hassan Amin Jarrar	CEO	Banker	27	BSc in Finance from California State University, San Jose.
Mohammed Ahmed Janahi	Deputy CEO	Banker	47	Advance Management for Senior Decision Makers
A. Rahman Mohammed Turki	GM – Retail Banking	Banker	43	Master Degree in Business Administration from University of Strathclyde, Scotland

Wesam A.Aziz Baqer	AGM – Corporate Banking	Banker	14	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	32	CPA from American Institute of Certified Public Accountants MBA degree from University of Glamorgan, Wales - UK
Khalid Mahmood Abdulla	AGM – Internal Audit & Shari’a	Accountant	21	CPA from American Institute of Certified Public Accountants.
Fahim Ahmed Shafiqi	Chief Risk Officer	Banker	17	Diploma in Islamic Finance (CDIF). MBA from University of Warwick, UK.
Dawood Khalil AlAshhab	AGM – Human Resources & Services	HR	16	BS in Public Administration. Certified coach from the Gallup University, UK.
Hassan A. Wahab Al Khan	AGM – Central Operations	Banker	16	MBA. Certified Islamic Professional Accountant (CIPA).
Khaled A. Rahman Nass	Senior Manager – Compliance & Anti-Money Laundering	Banker	14	MBA from the Webster University of Orlando, USA. BsBA in Finance from the University of Central Florida, USA.

Management Committees

Board Committee	Members	Objectives
Asset & Liability Committee (ALCO)	<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>*Previous Chairman was Mohammed Ahmed Janahi until 1st July 2015. **Mohammed Belgami was a previous member until 31st October 2015.</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>
Credit & Investment Committee (C&IC)	<p>Hassan Amin Jarrar Chairman*</p> <p>Members</p> <ul style="list-style-type: none"> • Mohammed Ahmed Janahi • Fahim Shafiqi** • A. Rahman Turki • Nader Al Bastaki <p>*Previous Chairman was Mohammed Ahmed Janahi until 1st July 2015. **Mohammed Belgami was a previous member until 31st October 2015.</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>
Qard Al Hassan, Donation & Zakah Committee	<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>

Provisioning Committee	<p>Hassan Amin Jarrar Chairman*</p> <p>Members</p> <ul style="list-style-type: none"> ● Mohammed Ahmed Janahi ● Fahim Shafiqi** ● Khalid Al Doseri ● Khalid Mahmood (observer) <p>*Previous Chairman was Mohammed Ahmed Janahi until 1st July 2015. **Mohammed Belgami was a previous member until 31st October 2015.</p>	<p>The main objective of Provisioning Committee is to assist the CEO in reviewing the bank's provisions. In addition, the Committee would be responsible in formulating provision policies with a view to maintain the strategic risk level objectives of the bank.</p>
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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 148 thousands for the year 2015.

Senior Management Aggregate Remuneration

The aggregate Senior Management remuneration was BD 1 million including basic salaries and fixed allowances for the year 2015.

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
National Bank of Bahrain	Bahrain	283,155,923	29.06%
Social Insurance Organization (Military, GOSI & Civil)	Bahrain	283,158,585	29.06%
Islamic Development Bank	Saudi Arabia	140,497,329	14.42%
Kuwait Awqaf Public Foundation	Kuwait	69,932,530	7.18%

Distribution of Ownership of Shares by Nationality

Country	Percentage	Number of Shares
Kingdom of Bahrain	73.03%	711,631,454
Kingdom of Saudi Arabia	15.16%	147,672,696
Kuwait	8.67%	84,463,888
United Arab Emirates	2.94%	28,609,168
Qatar	0.13%	1,292,741
Jordan	0.04%	434,553
Others	0.03%	308,125
Total	100.000%	974,412,625

Distribution of Ownership shares of Directors and Shari'a Members (As of 31stDecember 2015)

Directors	Shares as of 31 st Dec 2015
Abdul Razak Abdulla Al Qassim	84,658
Khalid Mohamed Al Mannai	No Shares Transferred As of December 2015
Mohammed Ahmed Abdulla	No Shares Transferred As of December 2015
Fatima Abdulla Budhaish	84,658
Talal Ali Al Zain	No Shares Transferred As of December 2015

Khalil Ebrahim Nooruddin	No Shares Transferred As of December 2015
Ebrahim Husain AlJassmi	184,658
Othman Ebrahim Al Askar	84,658
Muhammad Zarrug Rajab	129,070
Shari'a Members	
Shaikh Dr. Abdul Latif Mahmood Al Mahmood	157,035
Shaikh Dr. Nedham Mohamed Saleh Yacoubi	12,123
Shaikh Mohammed Jaffar Al Juffairi	No Shares Transferred as of December 2015
Shaikh Adnan Abdulla Al Qattan	No Shares Transferred as of December 2015
Shaikh Dr. Essam Khalaf Al Enizi	No Shares Transferred as of December 2015

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.