

***Khaleeji Commercial Bank BSC
Corporate Governance Report
for the year ended 31 December 2019***

CORPORATE GOVERNANCE & OTHER DISCLOSURES

1. Corporate governance structure

The Bank is governed by the Bahrain Commercial Companies Law No. 21 of 2001 and its amendments (the “Companies Law”), the Kingdom of Bahrain Corporate Governance Code (the “CGC”), volume 2 and volume 6 of the Rulebook of the CBB (and in particular the High-Level Controls (“HC Module”)), and the Bahrain Stock Exchange Law of 1987 (collectively, the “Regulations”).

The Bank acknowledges its responsibility to all of its stakeholders and is committed to the highest standards of corporate governance. The Bank believes good corporate governance enhances stakeholder value and provides an appropriate guidance to the Board, its committees, and the Bank’s Executive Management to carry out their duties in the best interest of the Bank and its stakeholders. The Bank maintains the highest levels of transparency, accountability and good management through the adoption and monitoring of corporate strategies, goals and policies to comply with its regulatory and ethical responsibilities.

2. Code of conduct

The Board has approved a code of conduct for all staff of the Bank and the Board members. The Code includes the process of dealing with conflict of interests. It also binds the Directors, Executive Management and staff to the highest standard of professionalism and diligence on discharging their duties. All Board members and senior management of the Bank have affirmed compliance with the Code of Conduct. A declaration is made by the Board members prior to each Board meeting confirming that they have disclosed all external appointments and notified the Chairman if there have been any changes to their external appointments since the previous meeting. Board members are excluded from dealings in matters related to an external entity where they hold an appointment at that entity.

3. Compliance with regulations

The Bank ensures compliance with the regulations applicable to an Islamic licensed bank at all times. It would report any non-compliance with the guidelines should there be any. The Bank’s obligations to comply with the Regulations have been addressed through following a Corporate Governance Handbook in accordance with the corporate governance (“CG”) and the High-Level Controls Module of the CBB Rulebook. The CG Handbook was developed to manage the Board and committees Charter, Management Committee Charters, Board and Management Code of Conduct, Conflict of Interest Policy, Whistle Blowing Policy, Corporate Governance Guidelines, Social Responsibility, Directors’ Appointment Agreement, Board and Directors’ Evaluation, and a Key Persons’ Dealing Policy.

The Bank is committed to continuously review and develop its corporate governance policies to ensure compliance with the changing requirements of the Regulations and to ensure compliance with the international corporate governance best practice. The Bank, through its Board and Board Committees, endeavors to deliver the highest standards of governance for the benefit of its stakeholders.

4. Board of directors

As at 31 December 2019, the Board of the Bank comprise ten members. Members of the Board were elected/ appointed for a three year renewable term during the Annual General Meeting (“AGM”) meeting held on March 2017. The current composition of the Board

complies with the requirements of the Regulations, except for the requirements stated in paragraph 16 below.

The Board Nominations, Remunerations and Governance Committee (“BNRGC”) reviews the skills and qualifications required of directors on periodic basis for potential nominee director. A nominee director may be elected by the shareholders upon receiving majority of votes during the election process. Positions at the Board are filled in compliance with the Bank’s Articles of Association and the Commercial Companies Law. A Director’s membership to the Board shall terminate in the cases provided for by the Companies Law and the Articles of Association of the Bank.

The Chairman of the Board of Directors is charged with regular supervision and assessment of executive management and is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the CEO and maintaining a dialogue with the Bank’s stakeholders. The Board has constituted certain committees with specific delegated authorities to oversee and guide the management in specific areas of the Bank’s operations and decision-making. The Board, either directly or through its various committees, will oversee the management of the Bank.

The Board has formalized the division of work responsibilities between the Board and the Bank’s management. Working in consultation with the Bank’s management team, the Board provides oversight for the overall management of the Bank’s business. The Board reviews and approves the corporate strategy for the Bank and has overall responsibility for risk management, financial reporting and corporate governance issues. Matters that specifically require Board approval include, amongst other things, the financial statements and the acquisition and disposal of companies. The Board also ensures that the Bank upholds the Bank’s core values including the values set out in the Bank’s internal policies.

The Board Audit and Risk Management Committee (“BARMC”) in addition to the functions of control, ensures that all policies prescribed are reviewed and updated on annual basis. The Risk management department in conjunction with the Internal Audit and Control unit ensures the policies and procedures are updated and adhered to under the oversight of the related management committees. The Board is also responsible for approving any related party transaction as per the Bank’s authority matrix. Related party transactions concerning a Board member should be minimally approved by the Board Investment and Credit Committee (“BICC”). In addition, any material transaction defined by the Bank (10% of the Banks’ capital) should be approved by the Board. The preparation of the consolidated financial statements of the Bank and the Group’s undertaking to operate in accordance with Islamic Sharia rules and principles is the responsibility of the Board of Directors. The duties, functions, and responsibilities are detailed in the Bank’s Corporate Governance Framework.

In compliance with the CBB requirements, the position of the Chairman and that of the Chief Executive Officer are segregated and there is no amalgamation of responsibilities in these two positions.

Members of the Board have access to the Bank’s management at all times. The CEO together with the Bank’s senior management monitors the Bank’s performance against pre-set corporate objectives and manages the Bank’s day-to-day affairs based upon the policies, objectives, strategies and guidelines lay down and approved by the Board from time to time.

The Board of Directors of the Bank comprises of Executive and Non-Executive Directors. The Board has five independent members (out of a total of ten Directors).

Upon appointment, each Director is provided with a comprehensive, formal and tailored induction which includes, amongst other things, a review of the Board's role and duties and the relevant Director's roles and duties to the Bank; meetings with the bank's senior management; visits to the Bank's branches and other sites; presentations to explain the Bank's strategic plans and significant financial, accounting, risk and legal issues and compliance programs; and meetings with internal and external auditors and legal counsel. In accordance with paragraph 1.9.1 of the HC module of CBB Rulebook, the Board and its committees are also individually evaluated and assessed for their performance effectiveness. The Board has conducted an evaluation of its performance and the performance of each committee and each individual director during the year 2019.

Each independent Director of the Bank is a professional in their field and possesses a background in the financial and banking field.

The Board of Directors and its committees receive regular reports on various aspects of the Bank's business from senior management as well as from Internal Audit, Risk Management, Financial Control, Compliance & AML, Sharia Coordination and Implementation Department, Internal Sharia Audit, and Operations Departments.

The names, title, and other positions held by the Board of Directors are set out below:

Mr. Jassim Mohamed Alseddiqi
Chairman

- **Experience:**
 - Director since April 2018 (Non-Independent and Executive)
 - Over 15 Years of experience in the fields of Engineering, Investment & Management
 - Nominated by GFH Financial Group
 - CEO of Shuaa Capital – UAE
 - Chairman of GFH Financial Group – Bahrain
 - Chairman of Eshraq Properties – UAE
 - Chairman of The Entertainer – UAE
 - Chairman of Salama Insurance Company - UAE
 - Board Member of First Abu Dhabi Bank – UAE
 - Board Member of Abu Dhabi Capital Group – UAE
 - Board Member of ADNOC Distributions
 - Board Member of Dana Gas
- **Qualification:**
 - MS in Electrical Engineering from Cornell University – USA
 - BS in Electrical Engineering from the University of Wisconsin – USA

Sh. Ahmed Bin Isa Al Khalifa
Vice Chairman

- **Experience:**
 - Director since March 2017 (Independent and Non-Executive)
 - Over 31 years of experience in governance and Project & information management
 - Currently the Assistant Undersecretary of Nationality, Passports & Residence Affairs (NPRA) at the Ministry of Interior – Bahrain
- **Qualification:**
 - Master Certificate in Project Management from the George Washington University – USA
 - BSc in Computer Science from Saint Edwards University - USA

Abdulla Abdulkarim Showaiter
Board Member

- **Experience:**
 - Director since February 2008 (Independent and Non-Executive)
 - Over 41 years of experience in the banking industry
 - Board Member of First Energy Bank – Bahrain
 - Advisor to the Board Ajman Bank - UAE
- **Qualification:**
 - Attended several courses in the field of banking and finance

Hisham Ahmed Al Rayes
Board Member

- **Experience:**
 - Director since June 2012 (Non-Independent and Executive)
 - Over 22 years of experience in the financial and banking sector
 - Nominated by GFH Financial Group BSC
 - Chief Executive Officer and Board Member of GFH Financial Group BSC
 - Chairman Tunis Bay Project Co. – Tunisia
 - Chairman Gulf Holding Company – Kuwait
 - Chairman, Royal Ranches Marrakesh – Morocco.
 - Chairman of Balexco - Bahrain
 - Chairman of Falcon Cement Co
 - Chairman Global Banking Corporation (GBCORP) B.S.C (closed).
 - Director of GFH Capital Limited
- **Qualification:**
 - Master in Business Administration from University of DePaul - USA
 - Bachelor of Science in Electrical / Electronic Engineering from University of Bahrain

Fawad Tariq-Khan
Board Member

- **Experience:**
 - Board Director of KHCB since September 2017 (Non-Independent and Executive)
 - Over 15 years of experience in the field of Management & Investment
 - Nominated by SHUAA Capital psc
 - Head of Investment Banking of Abu Dhabi Financial Group, UAE
 - Previously CEO and Board Director of SHUAA Capital UAE
 - Director, Northacre Plc, UK
 - Director, Amwal Investment Company, Kuwait
 - Director, Gulf Finance Corporation psc
 - Director, SHUAA Capital Saudi Arabia
 - Director, SHUAA Securities Egypt
 - Director, SHUAA Securities LLC
- **Qualification:**
 - MSc in Business Studies, University College Dublin Michael Smurfit Graduate Business School, Ireland
 - BSc in Computer Science & Economics, University College Cork, Ireland

Mohammad Abdulmohsen Al Rashed
Board Member

- **Experience:**
 - Director since March 2017 (Non-Independent and Non-Executive).
 - Over 11 years of experience in the field of business & finance
 - Nominated by GFH Financial Group
 - Consultant, Abdulmohsen Rashid Al Rashid
 - Chairman, Food Capital Company – KSA
 - Managing Director, Fine Food Co. – KSA
 - Director, Alshifa Medical Syringe MFG Co. –KSA
 - Director, Orange Fuel Company – KSA
 - Director, Mahra Co. – KSA
 - Manager, Hadaf Sport Entertainment Company– KSA
 - Director, Rimal Co. – KSA
 - Director, Express Parcel Co. – KSA
- **Qualification:**
 - Bachelor in Business Management from Fairleigh Dickinson University – Canada

Mustafa Ghazi Kheriba
Board Member

- **Experience:**
 - Director since April 2018 (Non-Independent and Executive)
 - Over 23 Years of experience in the field of Professional Banking & Management.
 - Nominated by GFH Financial Group
 - Currently the Deputy Chief Executive Officer and Head of Asset Management and Investment Solutions of Abu Dhabi Financial Group – UAE
 - Board Member of GFH Financial Group BSC- Bahrain
 - Director and Senior Executive Officer of ADCM Altus Investment Management Limited – UAE
 - Director of Spadille Ltd – Jersey Islands
 - Executive Director of Northacre Plc – UK
 - Board Member of Reem Finance – UAE
 - Non-Executive Director at Qannas Investments Limited – Cayman Island
 - Vice Chairman at Gulf Finance Corporation PJSC- UAE.
 - Board Member of Gulf Finance Corporation - KSA
 - Deputy Chief Executive Officer and Head of Asset Management and Investment Solutions of Shuaa Capital PSC
 - Director of ADCM Ltd. – Cayman Islands
- **Qualification:**
 - Bachelor of Arts (BA), UNIVERSITY OF TORONTO, Economics & Business Communication
 - Masters of Business OHIO DOMINICAN UNIVERSITY, Corporate Strategy
 - Administration (MBA) Class President, Magna Cum Laude Honors

Dr. Khalid Mohammed Al Khazraji
Board Member

- **Experience:**
 - Director since March 2017 (Independent and Non-Executive)
 - Over 32 years of experience from three major sectors: Academic, Government and Private sectors. In Academic, he was the associate dean of School of Business and Economic at the UAE University. In government, he held the position of the Deputy Minister of Labor. Finally in private sector, he was the Deputy Chairman of Majed Al Futtaim Retail and a business owner
 - Major professional contributions to the UAE's Ministry of Labor
 - Major professional contributions to the United Arab Emirates University
 - Participation in various training workshops, conferences & programs in the US & Switzerland
 - Chairman of Al Kawthar Investment Company – UAE
 - Member of the Board of Trustee of Mohammed Bin Rashid School of Government - UAE
 - Member of the Board of Trustee of the University of Dubai – UAE
 - Adjunct Professor at the University of Dubai - UAE
- **Qualification:**
 - Ph.D. in Business Administration from the University of Mississippi, USA
 - Master in Business Administration from Loyola University, USA
 - Bachelor in Business Administration from the University of Miami, USA

Mr. Reyadh Eid Abdulla Al Yaqoob
Board Member

- **Experience:**
 - Director since October 2018 (Independent and Non-Executive)
 - 31 Years of experience in the field of Leadership, Management & Project Supervision within the Government Sector
 - Board Director – Telecommunications Regulatory Authority, Kingdom of Bahrain
- **Qualification:**
 - MSc in Systems Management from the Naval Postgraduate School, USA
 - National Diploma in Aerospace Studies from the Brunel
 - Certificate in Operation Research (OR) from the Royal Military College of Science - UK)

Yousef Ibrahim Al Ghanim
Board Member

- **Experience:**
 - Director since March 2017 (Non-Independent and Non-Executive)
 - Over 12 Years of experience in the financial and banking sector
 - Vice Chairman & CEO of Alaman Investment Co. – Kuwait.
- **Qualification:**
 - Bachelor in Accounting from Kuwait University
 - Certificate in Credit Management from the Institute of Banking Studies – Kuwait
 - Attended several courses in the field of Banking and Finance.

* The qualifying criteria for 'Independent Directors' are as per the Corporate Governance guidelines of the CBB.

The Chairman, the Board of Directors, and the Board Committees have direct access to the heads of Internal Audit, Risk Management, Regulatory Compliance, Internal Sharia Audit, and Shari'a Sharia Coordination and Implementation.

5. Quorum required for adoption of Board resolutions

The required quorum for the meetings of the BOD and AGM shall be in accordance with the provisions of the Articles of Association of the Bank. The BOD may pass its resolutions by post, e-mail, fax, conference calls, video calls or any other means of audio or video communication pursuant to the provisions of Article 34-(2) of the Articles of Association of the Bank.

6. Board of directors' interests

The members of the Board collectively held 1,050,763 shares in the Bank as of the year ended 31 December 2019 (2018: 1,050,763 shares).

Director's name	No. of Shares As of Dec. 2018	No. of Shares As of Dec. 2019	Movement During the Year	% of SubTotal Shares
Jassim Mohamed Alseddiqi	-	-	-	-
Sh. Ahmed Bin Isa Al Khalifa	-	-	-	-
Abdulla Abdulkarim Showaiter	1,050,763	1,050,763	0	0.10%
Fawad Tariq Khan	-	-	-	-
Hisham Ahmed Al-Rayes	-	-	-	-
Dr. Khalid Mohamed Al Khazraji	-	-	-	-
Mohammed Abdulmohsen Al Rashed	-	-	-	-
Mustafa Ghazi Kheriba	-	-	-	-
Reyadh Eid Al Yaqoob	-	-	-	-
Yousif Ebrahim Al Ghanim	-	-	-	-
Total	1,050,763	1,050,763	0	0.10%

7. Board committees

The Board of Directors has constituted three Committees with specific delegated authorities.

Committee	Members	Primary responsibilities
Board Nominations, Remunerations and Governance Committee (BNRGC)	<ul style="list-style-type: none"> • Dr. Khalid Mohamed Al Khazraji • Sh. Ahmed Bin Isa Al Khalifa • Mohamed Abdulmohsen Al Rashed • Reyadh Eid Al Yaqoob • Sh. Dr. Fareed Yaqoob Al Muftah 	<ul style="list-style-type: none"> • Human Resources. • Compensation and incentives. • Administration. • Corporate Governance.
Board Audit and Risk Management Committee (BARMC)	<ul style="list-style-type: none"> • Sh. Ahmed Bin Isa Al Khalifa • Yousif Ebrahim Al Ghanim • Abdulla Abdulkarim Showaiter 	<ul style="list-style-type: none"> • Internal Audit. • External Audit. • Compliance. • Anti-Money Laundering. • Risk management. • Policies related to risk management.
Board Investment and Credit Committee (BICC)	<ul style="list-style-type: none"> • Hisham Ahmed Al-Rayes • Mustafa Ghazi Kheriba • Fawad Tariq Khan • Sattam Sulaiman Algosaibi (non-voting member) 	<ul style="list-style-type: none"> • Investment & credit approval. • Setting limits. • Investment policies. • Asset Liability Management. • Banking relationship. • Oversight of Off-Balance Sheet Vehicles.

Meetings of the Board and its committees are held as and when required but in accordance with the Regulations the Board meets at least once a quarter. The Board of Directors met six times in 2019. The Bank held its Annual General Assembly (AGM) on 13 March 2019. In addition to physical meetings, several written resolutions were circulated to the Directors during 2018 for approval by mail and facsimile.

During the year, the Board Audit and Risk Management Committee (BARMC) held five meetings, the Board Investment and Credit Committee (BICC) held four meetings, and the Board Nominations, Remunerations and Governance Committee (BNRGC) held four meetings.

8. Election system of directors and any termination arrangements

The system for the election and termination of Directors is governed by the Companies Law and Articles 24 - 28 of the Bank's AOA. Also, Articles 28 and 29 of the AOA define the cases in which the Bank may terminate the Director's membership. Furthermore, in line with the Article 179 of Companies Law and Articles 30 the of AOA, in case of vacancy for one or more Board members, the Board shall elect by a secret ballot or otherwise, a substitute amongst certain number of candidates, proposed by at least two Board members until the first General Meeting is held.

9. Board and Subcommittees meeting dates and attendance

▪ Board of Directors meetings

	6 Feb.	28 Mar.	2 May	17 Oct.	6 Nov.	9 Dec.	Attendance %
Jassim Mohamed Alseddiqi	✓	✓	✓	✓	✓	✓	100%
Sh. Ahmed Bin Isa Al Khalifa	✓	✓	✓	✓	✓	✓	100%
Dr. Khalid Mohamed Al Khazraji	✓	✓	✓	-	✓	✓	75%
Abdulla A.Kareem Showaiter	✓	✓	✓	✓	✓	✓	100%
Fawad Tariq Khan	✓	-	✓	✓	-	✓	less than 75%
Reyadh Eid Al Yaqoob	✓	✓	✓	✓	✓	✓	100%
Mohamed Abdulmohsen Al Rashed	✓	✓	✓	✓	✓	✓	100%
Mustafa Ghazi Kheriba	-	✓	✓	✓	✓	✓	75%
Hisham Ahmed Al Rayes	-	✓	-	✓	✓	✓	less than 75%
Yousif Ebrahim Al Ghanim	✓	✓	✓	✓	✓	✓	100%

▪ BNRGC meetings

	5 Feb.	01-May	5 Nov.	9 Dec.
Dr. Khalid Mohamed Al Khazraji	✓	✓	✓	✓
Sh. Ahmed Bin Isa Al Khalifa	✓	✓	✓	✓
Mohamed Abdulmohsen Al Rashed	✓	-	✓	✓
Sh. Dr. Fareed Yaqoob Al Muftah	✓	✓	-	✓
Reyadh Eid Al Yaqoob 1	-	✓	✓	✓

1. Joined the Committee on 11 Feb. 2019

▪ BARMC meetings

	27 Jan.	5 Feb.	01-May	16 Oct.	5 Nov.
Sh. Ahmed Bin Isa Al Khalifa	✓	✓	✓	✓	✓
Yousif Ebrahim Al Ghanim	✓	✓	✓	✓	✓
Abdulla A.Kareem Showaiter	✓	✓	✓	✓	✓

▪ BICC meetings*

	6 Feb.	02-May	17 Oct.	6 Nov.
Jassim Mohamed Alseddiqi	-	✓	✓	✓
Mustafa Ghazi Kheriba	✓	✓	✓	-
Hisham Ahmed Al Rayes	✓	-	✓	✓
Fawad Tariq Khan	✓	✓	✓	-
Sattam Sulaiman Algosaibi	✓	✓	✓	✓

*On November 6, 2019, Mr. Jassim Al Siddiqi exited the formation of the committee

10. Shari'a Supervisory Board (SSB)

The Bank's Shari'a Supervisory Board consists of three Islamic scholars who review the Bank's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Bank to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

Sh. Dr. Fareed Yaqoob Al-Miftah **Chairman**

- **Experience:**
 - Member of the Supreme Council of Islamic Affairs.
 - Undersecretary – Court of Cassation, Supreme Judicial Council – Bahrain.
 - Member, International Islamic Fiqh Academy.
 - Former judge of the high Shari'a Court.
 - Former Lecturer at the University of Bahrain.
- **Qualification:**
 - BA & Master degree from Imam Muhammad ibn Saud University – KSA
 - Ph.D. from the University of Edinburgh – United Kingdom.

Sh. Dr. Fareed Mohammed Hadi **Vice Chairman and Executive Member**

- **Experience:**
 - Assistant Professor at the College of Business Administration, University of Bahrain.
 - Founder of Islamic Banking and Finance B.Sc. and Master Programs, University of Bahrain.
 - Member – Board of Directors BCC Waqf Fund, Central Bank of Bahrain.
 - Chairperson and member of a number of Shari'a Supervisory Board in Islamic banks & insurance companies.
- **Qualification:**
 - BA & Master degree from Imam Muhammad ibn Saud University – KSA
 - Ph.D. in Ibn Hazm's Methodology of Jahala, University of Edinburgh – UK.
 - Ph.D. in Al-Bukhari's Methodology, University of Mohammed V – Morocco.

Sh. Dr. Nizam Mohammed Saleh Yaqoobi **Member**

- **Experience:**
 - Member of the Shari'a Council of AAOIFI, Bahrain.
 - Member of Centralized Shari'a Supervisory Board of the Central Bank of Bahrain.
 - Chairperson and member of a number of Shari'a Supervisory Board in Islamic banks & insurance companies.
- **Qualification:**
 - BA in Economics and Comparative Religion from the McGill University – Canada.
 - Ph.D. in Islamic Studies.

11. Executive management committees

The Board of Directors delegates the authority for day-to-day management of the business to the Chief Executive Officer (CEO) who is responsible for implementing the Bank's strategic plan. The CEO manage the Bank through the following management committees:

Committee	Primary responsibilities
Management Committee	Strategy, Performance review, Budget, Human Resources, Administration
Asset Liability Management Committee	Balance sheet management, Funding, Liquidity, Banking Relationships
Executive Credit & Investment Committee	Review of investments, Exit and credit proposals, Monitoring of investments
Executive Risk Management Committee	Risk Management policies, Risk review, Provisions and impairment
Human Resources Committee	Approving the policies and strategy of human resources

12. Executive management & other senior management

Some of the most significant changes that occurred at the executive management level during 2019 were the resignation of the following: Mr. Ahmed Abdulrahman Seyadi, Assistant General Manager – Information Technology, Mr. Talal Nabeel Al-Mahroos, Assistant General Manager – Investments, and Mohammed Abdulla Al Tamimi, Head of Compliance and MLRO. On the other hand, the following members were appointed as follows: Mr. Nawaf Abdulsalam Al-Hosani, as a Head of Internal Sharia Audit & Shari'a Supervisory Board Secretary, Miss Fajer Sami Albusmait, as a Head of Compliance, Mr. Mohamed Abbas Radhi, as a Head of Anti-Financial Crimes & MLRO, Mrs. Nada Mohamed Abdulrahman, as a Head of IT, and Mr. Ebrahim Khalil Al Awadhi, as an Acting Head of Delivery Channels & Cards.

The names and title of each member of executive and other Senior Management are set out below:

Sattam Sulaiman Alghosaibi **Chief Executive Officer**

- **Experience:**
 - Over 21 years of experience in the Islamic Banking industry
 - Joined the Bank in 2018
- **Qualification:**
 - Masters in Business Administration from DePaul University – USA
 - BSc in Accounting Science from King Fahad University of Petroleum & Minerals – KSA

Tawfeeq Mohamed Bastaki **Deputy General Manager - Chief Risk Officer**

- **Experience:**
 - Over 39 years of experience in Corporate Banking, Structured Finance, Retail Banking, Risk, Governance, and Compliance
 - Joined the Bank in 2015
- **Qualification:**
 - Masters in Finance from DePaul University - USA.
 - B.Sc. in Islamic Financing from University College of Bahrain - Bahrain.
 - Advanced Banking Diploma from Bahrain Institute of Banking and Finance (BIBF).
 - Executive Diploma "Post Graduate" in Business Management from the University of Bahrain.

Mahdi Abdunabi Mohammed
Deputy General Manager - Support Services.

- **Experience:**
 - Over 38 years of banking experience.
 - Joined the Bank in 2005.
- **Qualification:**
 - Diploma, Banking Studies, Intermediate Level – BIBF
 - Diploma, Banking Studies, Advance Level – BIBF
 - Diploma, Advanced Management – University of Bahrain
 - Certified Diploma in Accounting & Finance – The Chartered Association of Certified Accountants (ACCA)
 - Investment Representative Certification (Series 7)
 - MBA, General Business Administration - The University of Strathclyde, Scotland, United Kingdom
 - Managing Strategically, Leading for Results – Harvard Business School, Executive Education

Mazen Salman Sater
Assistant General Manager - Retail Banking

- **Experience:**
 - Over 22 years of banking experience
 - Joined the Bank in 2016
- **Qualification:**
 - Master in Business Administration, Major Marketing & Change Management from DePaul University – USA
 - Bachelor degree in Business and Marketing from St. Edward's University – USA

Hussam Ghanem Saif
Assistant General Manager – Treasury and Capital Markets

- **Experience:**
 - Over 29 years of experience in treasury and Islamic banking
 - Joined the Bank in 2007
- **Qualification:**
 - Graduate with a degree in Business Administration & Management from Western International University, London – UK

Mohammed Abdulla Saleh
Assistant General Manager - Legal and Compliance

- **Experience:**
 - Over 17 years of experience in Management, Islamic Banking, Law, Corporate Governance, Compliance, Anti-money Laundering, and Human Resources
 - Joined the Bank in 2009
- **Qualification:**
 - Master's in IT, Media and E-Commerce Law from the University of Essex – UK
 - B.Sc. in Law from Dubai Police Academy – UAE
 - Advanced Diploma in Islamic Finance from Bahrain Institute of Banking and Finance (BIBF)
 - Diploma in Business Management from the University of Bahrain
 - ICA International Diploma in Compliance from the International Compliance Association ICA
 - Certification of Board Secretary - Certified Board Secretary from The Institute for Corporate Governance (Hawkamah) and Dubai Financial Market (DFM)
 - Attended the Waqf Fund – Leadership Grooming Program for Islamic Banks at Ivey Business School in Western University (Canada & Hong Kong)

Abdul-Nasser Omar Al-Mahmood
Head of Sharia Coordination and
Implementation Department

- **Experience:**
 - Over 28 years of experience in Shari'a Audit and Islamic banking
 - Joined the Bank in 2008
- **Qualification:**
 - Master's in Business Administration with thesis in Shari'a Control and Review in Islamic Banks
 - B. Sc. in Shari'a and Islamic studies
 - Associate Diploma in Shari'a Control

Aman Ullah Khan
Financial Controller

- **Experience:**
 - Over 15 years of extensive experience in Islamic banking, Audit & Consultancy
 - Joined the Bank in 2018
- **Qualification:**
 - Chartered Financial Analyst (CFA) from the Chartered Financial Analyst (CFA) Institute - USA
 - Fellow member (FCCA) of Association of Chartered Certified Accountants (ACCA) – UK
 - Associate member (ACA) of Institute of Chartered Accountants of Pakistan (ICAP)

Mohamed Hamad Fakhri
Head of Internal Audit

- **Experience:**
 - Over 12 years of experience in Internal Audit, Risk Management, Governance and controls both in Islamic Retail and Investments Banking sectors
 - Joined the Bank in 2012
- **Qualification:**
 - B.Sc. in Accounting – University of Bahrain
 - CFA charter holder from CFA Institute - USA
 - Certified Internal Auditor (CIA) from the Institute of Internal Auditors – USA

Nawaf Abdulsalam Al-Hosani
Head of Internal Sharia Audit & Shari'a
Supervisory Board Secretary

- **Experience:**
 - Over 10 years of experience in Shari'a Audit, Compliance & Governance of Islamic Banks & Investment Structures.
 - Joined the Bank in 2008.
- **Qualification:**
 - Masters in Business Administration with concentration in Islamic Finance from University College of Bahrain.
 - B.Sc. in Islamic Studies "Shari'a" From University of Bahrain.
 - Certified Shari'a Advisor & Auditor (CSAA) from Accounting & Auditing Organization for Islamic Financial Institution "AAOIFI".
 - Advance Diploma in Islamic Commercial Jurisprudence from BIBF.

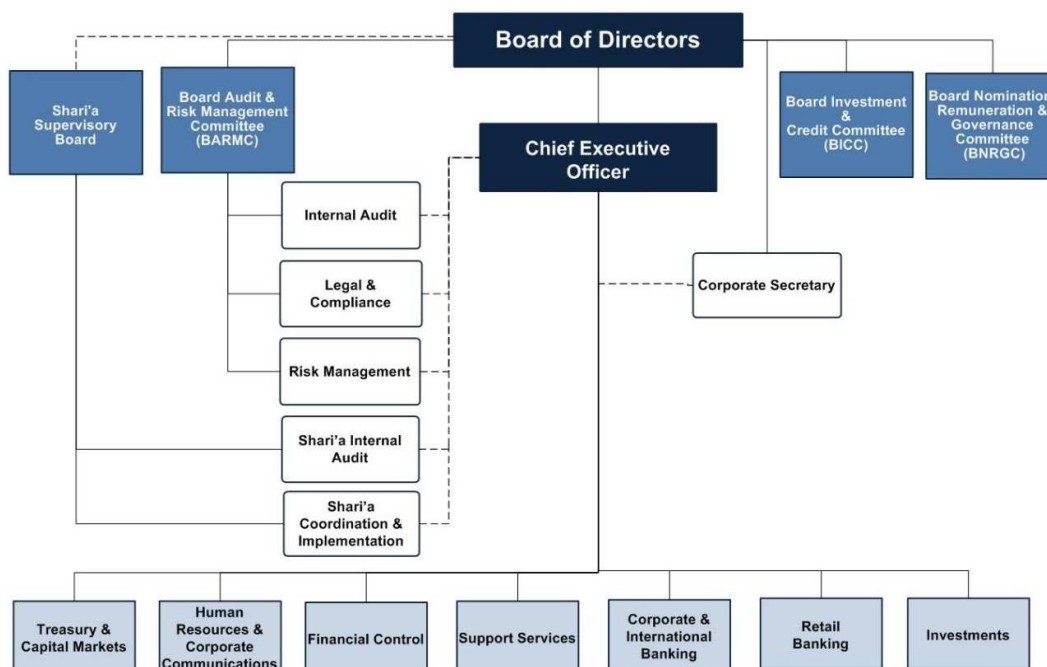
13. Executive and senior management interests

The following table indicates the executive and senior management shareholding as 31 December 2019:

Executive and senior management	Number of outstanding shares at 31 December 2019	Number of outstanding shares at 31 December 2018
Sattam Sulaiman Algosai	Nil	Nil
Tawfeeq Mohammed Bastaki	230,395	119,847
Mahdi Abdulnabi Mohammed	1,368,729	1,213,611
Hussam Ghanem Saif	373,244	286,882
Mohammed Abdulla Saleh	Nil	Nil
Abdul-Nasser Omar Al-Mahmood	Nil	Nil
Mazen Salman Sater	68,706	28,292
Mohamed Hamad Fakhri	5,083	5,083
Aman Ullah Khan	Nil	Nil
Nawaf Abdulsalam Al Hosani	Nil	Nil
Total	2,046,157	1,653,715

14. Organizational chart

Set out below is the Bank's organization chart, which outlines the different committees and the lines of reporting, as of 31 December 2019.



15. Executive compensation

The Bank has both a short-term and long-term compensation structure for its executive management which has been developed based on current market surveys and industry norms. The Bank also had an incentive scheme where in eligible employees were awarded a combination of shares and cash incentives on achievement of pre-determined performance targets. For further details please refer note 22 of the consolidated financial statements for the year ended 31 December 2019. The Bank's board remuneration is determined in line with the provisions of Article 188 of the Companies Law, and their annual remuneration is subject to the approval of the shareholders at the end of each year. The Board of Directors is also entitled to sitting fees.

16. Shari'a compliance, Regulatory compliance and Anti-Money Laundering

Compliance with Shari'a laws, regulatory and statutory requirements is an ongoing process and the Bank is conscious of its responsibilities in observing all applicable provisions and best international practices in its functioning. The Bank has established the Shari'a Compliance Function and the Regulatory Compliance Function in keeping with Basel and CBB guidelines. The respective units act as a focal point for all Shari'a and regulatory compliance and for adapting other best practice compliance principles.

Anti-Money Laundering measures form an important area of the Compliance Function. The Bank has an Anti-Money Laundering and Combating Terrorist Financing Policy and Procedure approved by the Board, which contains sound Customer due diligence

measures, procedure for identifying and reporting suspicious transactions, a program for periodic awareness training to staff, record-keeping, and a designated Money Laundering Reporting Officer (MLRO). The Bank's Anti-Money Laundering measures are reviewed by independent external auditors every year and their report is submitted to the CBB. The Bank is committed to combating money laundering and is in compliance with the guidelines issued by the CBB in relation to Anti-Money Laundering requirements.

As per rule HC-A.1.8 and HC-8.2.1 (c) of the HC Module with reference to the disclosure of the noncompliance events (Comply or Explain Principle), which stipulates the need to elucidate the non-compliance cases and provide clarification on the same in event non-compliance with the rules and guidelines of the HC Module, the Bank wishes to clarify the following:

- The Chairman of the Board, Mr. Jassim Alseddiqi is an Executive Director, hence he is not an Independent Director as per rule HC-1.4.6.
- The Bank was unable to comply with the requirements stated under Rule HC-1.3.7, which requires that the Board of Directors in order to fulfill its obligations stipulated under Rule HC-1.3.3, the full Board should meet once every quarter to address the Board's responsibilities for management oversight and performance monitoring. For the third quarter of 2019, the meeting was originally scheduled on 25 Sep. 2019 (in the third quarter of the year), to discuss the routine matters that requires the consideration and decision making by the Board, and reports related to the second quarter. However, the meeting postponed due to the lack of a quorum to 17 Oct. 2019. Nevertheless, as previously mentioned, during the year the Board of Directors met six times. Also, in addition to the personal attendance at the meetings, many decisions were taken during the year by circulation.
- Two of the Board Member, Mr. Hisham Al Rayes and Mr. Fawad Tariq Khan were not able to attend the minimum of 75% of the Board Meetings as per rule HC-1.3.4. Due to some prior commitments and personal reasons.
- Contrary to guidance note HC-7.2.2 which requires all Board Members to attend the meeting, the annual shareholders meeting held on 13 March 2019, was attended by the Vice Chairman of the Board, the Chairman of Board Audit Risk Management Committee (BARMC) and the CEO.

17. Audit fees charged by the external auditor and other non-audit services provided by the external auditor and fees paid

The audit fees charged and non-audit services provided by external auditors will be made available to the shareholders as and when requested. Such details will be made available to the Bank's shareholders as per their specific request provided that these disclosures would not negatively impact the Bank's interest and its competition in the market.

18. Penalties paid to the Central Bank of Bahrain

During 2019, no penalty was charged to the Bank.

19. Related party Transactions

For detailed discussion on the related party transactions, kindly refer to notes (no. 27) on the consolidated financial statement for the year ended 31 December 2019. All related

party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

20. Board approved policy on the employment of relatives of approved persons

The Bank does not permit the employment of immediate relatives of current employees. Employment of other relatives is permitted. However, employees who are relatives shall not be placed within the same department or same direct line of supervision. In case of marriage, the Bank reserves the right to terminate the employment of one of the spouses. The HR will disclose to the board of directors on an annual basis relatives of any approved persons (including SSB members) occupying controlled functions within the Bank up to the 4th degree of kinship.

21. Board Evaluation

During 2019, the Board conducted an evaluation of its performance and the performance of each committee and each individual director. The evaluation process included assessing how the Board operates, evaluating the performance of each committee in light of its specific purposes and responsibilities, reviewing each director's work, his attendance at Board and committee meetings, and his constructive involvement in discussions and decision making, and reviewing the Board's current composition against its desired composition with a view toward maintaining an appropriate balance of skills and experience and a view toward planned and progressive refreshing of the Board.

22. Distribution of ownership of shares

a) by nationality

The Bank's Register of Shareholders as at 31 December 2019 indicates a total of 613 shareholders who collectively owned 1,050,000,000 (One Billion, fifty million) share with a nominal value of BD 0.100 (One Hundred Fils) each. One of the Bank's shares were held by the Government of the Kingdom of Bahrain. The breakdown of shareholders in the Bank by nationality is as follows:

Nationality	No. of equity shares held	% of shareholders
Bahraini	652,871,800	62.18
Non-Bahraini	397,128,200	37.82
Total	1,050,000,000	100.00%

b) by size of shareholder

	No. of Shareholders	No. of Shares	% of total outstanding shares
Less than 1%	604	137,765,476	13.12
1% to less than 5%	5	122,049,555	11.62
5% to less than 10%	3	296,694,051	28.26
10% to less than 20%	0	0	0
20% to less than 50%	1	493,490,918	47.00
Total	613	1,050,000,000	100.00

Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of outstanding shares:

	Nationality	Number of shares	% of total outstanding shares
GFH Financial Group *	Bahrain	493,490,918	47.00
Goldilocks Investment Company Limited	UAE	104,779,110	9.98
Khaleeji Commercial Bank B.S.C	Bahrain	103,592,516	9.87
Emirates Islamic Bank PJSC	UAE	88,322,425	8.41

*As at 31 December 2019, these shares representing 47% (2018: 47%) were held by KHCB Asset Company on behalf of GFH Financial Group, which is considered as the parent of the Bank for financial reporting purposes.

23. Earnings prohibited by Shari'a and the annual Zakah contribution

For detailed discussion on how non-Shari'a-compliant earnings and expenditure occur and the manner in which they are disposed of; and the annual zakah contributions of the bank, kindly refer to notes (no. 5) on the consolidated financial statement for the year ended 31 December 2019.

24. Review of internal control processes and procedures

Internal Controls are systems designed, introduced and maintained by the Bank's management and top-level executives, to provide a substantial degree of assurance in achieving business objective, while complying with the policies and regulations, safeguarding the assets, maintaining efficiency and effectiveness in regular operations and reliability of financial statements.

All KHCB staff members share responsibility of implementing adequate internal controls measures within their respective work context.

Further, Internal Audit conducts risk based reviews to ensure the existence of sound implementation of internal controls across Bank's various activities and operations.

Board Audit Risk Management Committee (BARMC) assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the systems of internal controls which are established by Management and approved by the Board of Directors.

25. Governance Arrangements to Ensure Shari'a Compliance

Effective implementation of Shari'a Governance is pivotal basis for controlling and drafting the Shari'a compliance in KHCB. The Bank endeavors to continually update and adopt best practices in the areas of Sharia governance and compliance with Islamic Shari'a rules and principles in its activities. This adherence is embodied in KHCB by adopting an effective framework for Sharia Governance that commensurate and proportionate to the size and nature of the Banks business in accordance with the Rulebook, V-2 issued by the Central Bank of Bahrain.

KHCB has adopted four main components that formed its Sharia Governance framework and is considered as the highest degree of commitment to the Shari'a Governance Framework issued by the Central Bank of Bahrain. These components are:

1. Shari'a Supervisory Board;
2. Internal Shari'a Audit function;
3. Shari'a Coordination and Implementation Function; and
4. Independent External Shari'a Compliance Audit.

This Shari'a Governance framework and arrangements ensure that the Bank is in compliance with Shari'a rules and principles, SSB's Fatwas and decisions, Shari'a related policies and procedures, AAOIFI's Shari'a standards, relevant rulings of the CSSB and the regulations, resolutions and directives issued by the CBB.

26. Dealing with the Complaints

KHCB takes its customer complaints very seriously. The customers may provide their feedback, suggestion or complaint through different channels, such as call center, branches, or through email Complaints@khcbonline.com.

If the complaints team is unable to resolve the matter immediately; the complaints team will send a written acknowledgment of the complaints to the client within 5 working days. Complaints are addressed promptly in accordance with their urgency, in equitable, objective and efficient manner. The complaint team will investigate independently the matter, and will provide the client with an update on her/his complaints through contacting them on the contact numbers, written letters or emails. The customer is also outlined with the options that are open to pursue the matter further.

27. Consumer awareness programmes for information on new products and services

Throughout the year 2019, the Bank has continued to make strides to spread consumer and investor awareness about its line-up of products and services through the many channels available in the market today. On the printed/offline side, KHCB has utilized newspaper publications, branch branding, and participation in Exhibitions & conferences to launch new products and services.

On the online side, KHCB has pushed electronic awareness even stronger than ever using tools like the public website www.khcbonline.com, sponsored advertisement, Search Engine Optimization "SEO", Social Media Management Platforms and much more.

28. Social functions and charitable contributions of the bank

During the year 2019, KHCB has made significant contributions to many of the Kingdom's sectors as part of its Social Responsibility to the community. KHCB has been keen on maintaining variety in its social contributions by supporting Education, Culture, Sports, and Conferences in the Islamic Banking Industry such as "AAOIFI".

On the Charity side, KHCB has worked closely with different Charitable Organizations and Institutes to help those in need as part of its Islamic identity and duty, such as feeding the fasters of Ramadhan, supporting Quran Teaching Programs, care for orphans, and releasing Zakah.