



***Khaleeji Commercial Bank BSC
Corporate Governance Report
for the year ended 31 December 2020***

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 2020, 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 23 September 2020. 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. 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 2020.

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 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.

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

Jassim Mohamed Alseddiqi
Chairman

Experience:

- Director since April 2018 (Non-Independent and Executive)
- Over 16 Years of experience in the fields of Engineering, Investment & Management
- 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 - UAE
- Board Member of Dana Gas - UAE

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 32 years of experience in governance and Project & information management
- Currently the Assistant Undersecretary of Nationality, Passports & Residence Affairs - 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

Hussain Sayed Ali Al Hussaini
Board Member

Experience:

- Director since December 2020 (Independent and Non-Executive)
- Over 35 Years of experience in the financial and banking sector
- Previously occupied many positions such as Chairman, Vice Chairman, and Member of various Boards and Committees for companies, financial institutions and investment firms

Qualification:

- MBA in Marketing and Management from DePaul University – USA
- BA in Economics from Concordia University – Canada
- PMD from Harvard Business School – USA

Salah Sharif
Board Member

Experience:

- Director since November 2020 (Non-Independent and Executive)
- Over 30 Years of experience in many fields in the Banking Sector
- CAO of GFH Financial Group – Bahrain
- Responsible for ensuring that the highest standards of operational excellence are achieved for GFH Financial Group's Special Purpose Vehicles and Project Companies – Bahrain
- Board Member in several Projects and Operating Companies that fall under the GFH Financial Group Brand

Qualification:

- MBA with Distinction from Glamorgan University – Wales
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Reyadh Eid Al Yaqoob
Board Member

Experience:

- Director since October 2018 (Independent and Non-Executive)
- 32 Years of experience in the field of Leadership, Management & Project Supervision within the Government Sector

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

Isa Abdulla Zainal
Board Member

Experience:

- Director since September 2020 (Independent and Non-Executive)
- Over 36 Years of experience in the fields of Audit, Business Advisory and Islamic Investment Banking
- Vice Chairman of Global Banking Corporation BSC
- Chairman of Bahrain Bay Utilities Company BSC
- Board Member of Banque Al Baraka D'Algerie – Algeria
- Board Member of Nuyu (Women Fitness Company) – KSA
- Board Member of Eazy Financial Services BSC

Qualification:

- BA with Honors in Accounting from University of Bahrain
- CPA from the State of Georgia – USA

Mazen Ibrahim Abdulkarim
Board Member

Experience:

- Director since September 2020 (Independent and Non-Executive)
- Over 26 Years of experience in the fields of Banking and financial Investments
- Board Member of Esterad Investment Company BSC, kingdom of Bahrain.
- Board Member of Gulf Investment Corporation GIC – Kuwait.

Qualification:

- BSc with Honours in Finance from Bentley University – USA

Mosabah Saif Al Mutaury
Board Member

Experience:

- Director since September 2020 (Non-Independent and Non-Executive)
- Over 27 Years of experience in the fields of Administration, Accounting, and Investment
- Board Member of the Royal Guard of Oman Pension Fund
- Board Member of Hotel Management Company (Chedi)
- Board Member of Oman National Investment Development Company SAOC – Tanmia
- Board Member of Bank Muscat Money Market Fund – Oman
- Board Member of united Security GCC Fund – Oman
- Board Member of Takaful Oman Insurance – Oman
- Board Member of Bank Nizwa – Oman
- Board Member of Oman Monition Production Company
- Chairman of Audit Committee for Hotel Management Company (Chedi)
- Chairman of Audit Committee for Tanmia
- Chairman of Audit Committee for Takaful Oman Insurance
- Chairman Audit Oman Monition Production Company
- Audit Committee Member of Bank Nizwa – Oman

Qualification:

- MBA in Finance from the University of Lincolnshire & Humberside – UK
- Postgraduate Qualification in Accounting from South Bank University – UK

Hisham Ahmed Al Rayes
Board Member

Experience:

- Director since June 2012 (Non-Independent and Executive)
- Over 23 years of experience in the financial and banking sector
- Chief Executive Officer and Board Member of GFH Financial Group – Bahrain
- Chairman Tunis Bay Project Co. – Tunisia
- Chairman Royal Ranches Marrakesh – Morocco.
- Chairman Global Banking Corporation (GBCORP) – Bahrain
- Director of GFH Capital Limited – UAE

Qualification:

- Master in Business Administration from University of DePaul – USA
- Bachelor of Science in Electrical / Electronic Engineering from University of Bahrain
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Mustafa Ghazi Kheriba
Board Member

Experience:

- Director since April 2018 (Non-Independent and Executive)
- Over 25 Years of experience in the field of Professional Banking & Management
- Currently the Deputy Chief Executive Officer and Group Head of Asset Management of SHUAA Capital psc
- Executive Director of Northacre – UK
- Board Member of Reem Finance – UAE
- Board Member of SALAMA Islamic Arab Insurance Company – UAE
- Board Member and Managing Director of Gulf Finance Corporation – UAE and KSA
- Board Member of ADCorp Ltd – UAE

Qualification:

- Master in Business Administration from Ohio Dominican University with Magna Cum Laude honors– USA
- Bachelor of Arts (BA), University of Toronto, Economics & Business Communication

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

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

As of the year ended 31 December 2020, the members of the Board collectively held zero shares in the Bank.

Director's name	No. of Shares As of Dec. 2019	No. of Shares As of Dec. 2020	Movement During the Year	% of SubTotal Shares
Jassim Mohamed Alseddiqi	-	-	-	-
Sh. Ahmed Bin Isa Al Khalifa	-	-	-	-
Husain Alhusaini	-	-	-	-
Reyadh Eid Al Yaqoob	-	-	-	-
Salah Abdulla Sharif	-	-	-	-
Isa Abdulla Zainal	-	-	-	-
Mosobah Saif Almotairy	-	-	-	-
Mazen Ibrahim Abdulkarim	-	-	-	-
Mustafa Ghazi Kheriba	-	-	-	-
Hisham Ahmed Al-Rayes	-	-	-	-
Total	-	-	-	-

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"> • Reyadh Eid Al Yaqoob • Mazen Ibrahim Abdulkarim • Mosobah Saif Almotairy • 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 • Isa Abdulla Zainal • Mazen Ibrahim Abdulkarim 	<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 • Salah Abdulla Sharif • Husain Alhusaini • 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 eight times in 2020. The Bank held its Annual General Assembly (AGM) and the Extraordinary General Meeting (EGM) on 25 March 2020. Moreover, the Bank held its Ordinal General Meeting (OGM) on 23 September 2020. In addition to physical meetings, several written resolutions were circulated to the Directors during 2020 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 five 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

	Meetings dates during the year 2020								Attendance %
	9 Feb.	07-May	29 Jun.	9 Aug.	23 Sep.	29 Sep.	8 Nov.	25 Nov.	
Jassim Alseddiqi	-	✓	N/A	✓	✓	✓	✓	-	75%
Sh. Ahmed Al Khalifa	✓	✓	✓	✓	✓	✓	✓	✓	100%
Reyadh Al Yaqoob	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mustafa Kheriba	-	✓	N/A	✓	✓	✓	✓	✓	75%
Hisham Al Rayes	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mohamed Al Rashed	✓	✓	N/A	✓	N/A	N/A	N/A	N/A	100%
Yousif Al Ghanim	✓	✓	✓	-	N/A	N/A	N/A	N/A	75%
Dr. Khalid Al Khazraji 1	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Abdulla Showaiter 2	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Isa Zainal 3	N/A	N/A	N/A	N/A	✓	✓	✓	✓	100%
Mazen Abdulkarim 4	N/A	N/A	N/A	N/A	✓	✓	✓	✓	100%
Mosobah Al Mutairy 5	N/A	N/A	N/A	N/A	✓	✓	✓	✓	100%
Salah Sharif 6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	100%
Fawad Khan 7	✓	✓	✓	✓	✓	✓	✓	N/A	100%
Husain Alhusaini 8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1 Resigned his office on 26 March 2020

2 Resigned his office on 26 March 2020

3 Joined the board on 23 Sep. 2020

4 Joined the board on 23 Sep. 2020

5 Joined the board on 23 Sep. 2020

6 Joined the board on 19 Nov. 2020

7 Resigned his office on 22 Nov. 2020

8 Joined the board on 10 Dec. 2020 to replace Mr. Fawad Khan

▪ **BNRGC meetings**

	8 Jan.	8 Feb.	06-May	22 Sep.	5 Nov.
Dr. Khalid Al Khazraji 1	✓	✓	N/A	N/A	N/A
Sh. Ahmed Al Khalifa	✓	✓	✓	✓	N/A
Reyadh Al Yaqoob	✓	✓	✓	✓	✓
Mohamed Al Rashed 2	✓	✓	✓	✓	N/A
Sh. Dr. Fareed Al Muftah	-	✓	✓	✓	✓
Mazen Abdulkarim 3	N/A	N/A	N/A	N/A	✓
Mosobah Almutairy 4	N/A	N/A	N/A	N/A	✓

1. Resigned his office on 26 March 2020
2. His term ended on 23 Sep. 2020
3. Joined the Committee on 23 Sep. 2020
4. Joined the Committee on 23 Sep. 2020

▪ **BARMC meetings**

	27 Jan.	8 Feb.	06-May	05-Aug	5 Nov.
Sh. Ahmed Al Khalifa	✓	✓	✓	✓	✓
Yousif Al Ghanim 1	-	✓	✓	✓	N/A
Abdulla Showaiter 2	✓	✓	N/A	N/A	N/A
Mazen Abdulkarim 3	N/A	N/A	N/A	N/A	✓
Isa Zainal 4	N/A	N/A	N/A	N/A	✓

- 1 His term ended on 23 Sep. 2020
- 2 Resigned his office on 26 March 2020
- 3 Joined the Committee on 23 Sep. 2020
- 4 Joined the Committee on 23 Sep. 2020

▪ **BICC meetings**

	9 Feb.	07-May	22 Sep.	8 Nov.
Hisham Al Rayes	✓	✓	✓	✓
Mustafa Kheriba	-	-	✓	✓
Fawad Khan	✓	✓	✓	✓
Sattam Algosaibi	✓	✓	✓	✓
Salah Sharif 1	N/A	N/A	N/A	N/A
Husain Alhusaini 2	N/A	N/A	N/A	N/A

- 1 Joined the Committee on 19 Nov. 2020
- 2 Joined the Committee on 10 Dec. 2020

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 Credit proposal, Review of investments, Exit and credit proposals, Monitoring of investments, 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 2020 were the resignation of the following: Mr. Tawfeeq Mohamed Bastaki, the Chief Risk Officer, Mr. Mahdi Abdulnabi Mohammed, Deputy General Manager - Support Services. On the other hand, the following members were appointed as follows: Mr. Mazen Salman Sater, as an Assistant General Manager – Digital Banking, Mr. Abdulkarim Mohamed Al Zakari, as a Chief Risk Officer. Mr. Mohamed Ebrahim Al Hashimi, as a Head of Operations, Miss Fatima Ahmed Al Bin Ali, as a Head of Human Resources, Mr. Subah Abdulrahman Al Zayani, as a Head of Corporate Communications, and Mr. Abdalnasser Ahmed Al Rayes, as a Head of Retail Banking.

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

Sattam Sulaiman Algoaibi **Chief Executive Officer**

- **Experience:**
 - Over 22 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

Husam Ghanem Saif **Assistant General Manager – Treasury & Investment**

- **Experience:**
 - Over 31 years of experience in Treasury and Islamic Banking
 - Joined the Bank in 2007
- **Qualification:**
 - BSc in Business Administration and Management from Western International University, London – UK

Mazen Salman Sater
Assistant General Manager – Digital Banking

- **Experience:**
 - Over 24 years of experience in Islamic Banking
 - Joined the Bank in 2016
- **Qualifications:**
 - Masters in Business Administration, Major Marketing & Change Management from DePaul University - USA
 - BSc in Business Administration , major Marketing from St. Edward's University – USA

Abdulnasser Omar Al Mahmood
Head of Shari'a Coordination & Implementation

- **Experience:**
 - Over 30 years of experience in Shari'a Audit and Islamic Banking
 - Joined the Bank in 2008
- **Qualification:**
 - Masters in Business Administration with thesis in Shari'a Control and Review in Islamic Banks from Gulf University – Kingdom of Bahrain
 - BSc in Shari'a and Islamic Studies from Qatar University
 - Associate Diploma in Shari'a Control from Cambridge University of Training - UK
 - Advanced Diploma in Islamic Commercial Jurisprudence "ADICJ" from Bahrain Institute of Banking and Finance "BIBF"

Mohammed Abdulla Saleh
Assistant General Manager – Legal & Compliance

- **Experience:**
 - Over 18 years of experience in Management, Islamic Banking, Law, Corporate Governance, Compliance, Anti-Money Laundering, and Human Resources
 - Joined the Bank in 2009
- **Qualifications:**
 - Masters in IT, Media, and eCommerce Law from the University of Essex - UK
 - BSc 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
 - Diploma in Police Sciences from Dubai Police Academy – UAE
 - ICA International Diploma in Compliance from the International Compliance Association "ICA"
 - Attended the Waqf Fund - Leadership Grooming Program for Islamic Banks at Ivey Business School in Western University (Canada & Hong Kong)
 - Certified Board Secretary

Muna Ghuloom Al Bastaki
Head of Credit Management

- **Experience:**
 - Over 24 years of experience in Banking Credit and Risk
 - Joined the Bank in 2005
- **Qualification:**
 - National Diploma in Computer Studies from Bahrain Training institute
 - Advanced Diploma in Banking Studies from Bahrain Institute of Banking and Finance "BIBF"
 - Associate Professional Risk Manager "APRM" from Professional Risk Managers' International Association "PRMIA" – USA
 - IFS Accredited Credit Program (Level I, II and III)

Mohamed Ebrahim Al Hashimi
Head of Operations

- **Experience:**
 - Over 18 years of experience in Islamic Banking Operations
 - Joined the Bank in 2006
- **Qualification:**
 - BSc in Business Information System from the University of Bahrain
 - Certified Islamic Professional Accountant Program "CIPA"
 - Attended Executive Leadership Development Program at Darden School of Business in the University of Virginia - USA

Abdulkarim Mohamed Al Zakari
Chief Risk Officer

- **Experience:**
 - Over 13 years of experience in Risk Management, Quantitative Modeling & Analytics, and Credit Review Management in Islamic Banking
 - Joined the Bank in 2020
- **Qualifications:**
 - BSc in Investment and Financial Risk Management from City University, CASS Business School – UK
 - Chartered Financial Analyst "CFA" from the CFA Institute – USA
 - Certificate in Quantitative Finance "CQF" from the CQF Institute – UK
 - Holder of the Professional Risk Manager "PRM" certificate from the PRMIA Institute – USA
 - Attended a Transformational Leadership Program at Harvard Business School – USA
 - Attended an Executive Program at INSEAD University – France

Fatima Ahmed Al Bin Ali
Head of Human Resources

- **Experience:**
 - Over 20 years of experience in Human Recourse Management
 - Joined the Bank in 2008
- **Qualification:**
 - Masters in Business Administration specialized in Management from AMA International University - Bahrain
 - BSc in Office Management from University of Bahrain
 - Chartered Membership of the Chartered Institute of Personnel and Development "CIPD"
 - Advance Diploma in Islamic Finance "ADIF" from Bahrain Institute of Banking and Finance "BIBF"

Abdulnasser Ahmed Al Rayes
Head of Retail Banking

- **Experience:**
 - Over 19 years of experience in Marketing, Product Development, and Islamic Banking
 - Joined the Bank in 2006
- **Qualification:**
 - Masters in Business Administration from University of Strathclyde - UK
 - BSc in International Business Administration from University of Northumbria - UK
 - Attended the Waqf Fund - Leadership Grooming Program for Islamic Banks at Ivey Business School in Western University (Canada & Hong Kong)

Mohammed Hamad Fakhri
Head of Internal Audit

- **Experience:**
 - Over 14 years of experience in Internal Audit, Risk Management, Governance, and controls both in Islamic Retail and Investment Banking
 - Joined the Bank in 2012
- **Qualification:**
 - BSc in Accounting from University of Bahrain
 - Chartered Financial Analyst “CFA” from the Chartered Financial Analyst Institute “CFA” - USA
 - Certified Internal Auditor “CIA” from the Institute of Internal Auditors – USA

Nawaf Abdulsalam Al Hosani
Head of Internal Shari’a Audit and Shari’s Board Secretary

- **Experience:**
 - Over 12 years of experience in Shari’a Audit, Compliance, and Governance of Islamic Banks and Investment Structures
 - Joined the Bank in 2008
- **Qualification:**
 - Masters in Business Administration with concentration on Islamic Finance from University College of Bahrain
 - BSc in Islamic Studies “Shari’a” from the University of Bahrain
 - Certified Shari’a Advisor & Auditor “CSAA” from Accounting & Auditing Organization for Islamic Financial Institution “AAOIFI”
 - Certified Islamic Professional Accountant “CIPA” from Accounting and Auditing Organization for Islamic Financial Institution “AAOIFI”
 - Advanced Diploma in Islamic Commercial Jurisprudence “ADICJ” from Bahrain Institute of Banking and Finance “BIBF”

Aman Ullah Khan
Head of Finance & Administration

- **Experience:**
 - Over 15 years of experience in Audit, Consultancy, and Islamic Banking
 - Joined the Bank in 2018
- **Qualification:**
 - B.Sc in Commerce from University of Karachi - Republic of Pakistan
 - Chartered Financial Analyst “CFA” from the Chartered Financial Analyst Institute – USA
 - Fellow Member “FCCA” of Association of Chartered Certified Accountants “ACCA” – UK
 - Associate Member “ACA” of Institute of Chartered Accountants of Pakistan “ICAP” – Republic of Pakistan

Subah Abdulrahman Al Zayani
Head of Corporate Communications

- **Experience:**
 - Over 16 years of experience in Media, Public Relations, and Corporate Communications
 - Joined the Bank in 2016
- **Qualification:**
 - Masters with Honours in Business Administration from Ahlia University - Bahrain
 - BSc in Management Information System from University of Bahrain

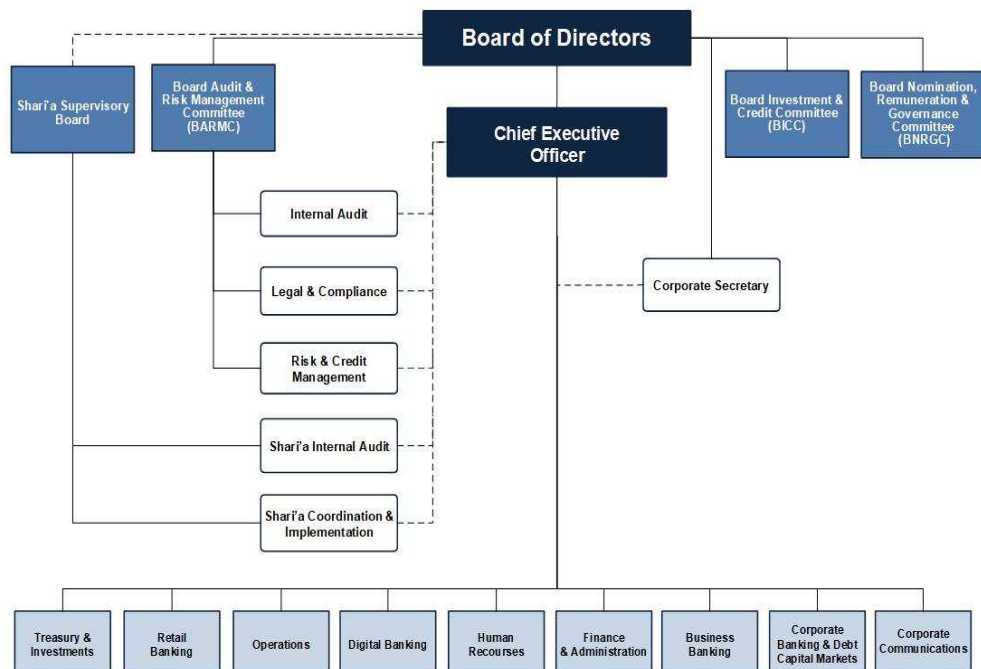
13. Executive and senior management interests

The following table indicates the executive and senior management shareholding as 31 December 2020:

<i>Executive and senior management</i>	Number of outstanding shares at 31 December 2020	Number of outstanding shares at 31 December 2019
Sattam Sulaiman Algosabi	76484	Nil
Hussam Ghanem Saif	373035	373244
Mazen Salman Sater	111677	68706
Mohammed Abdulla Saleh	Nil	Nil
Abdul-Nasser Omar Al-Mahmood	Nil	Nil
Muna Ghuloom Al Bastaki	270562	264553
Mohamed Ebrahim Alhashimi	38147	Nil
Fatima Ahmed Al Bin Ali	49492	87503
Abdulkarim Mohamed Alzakri	Nil	Nil
Abdulnaser Ahmed Alrayes	31899	65763
Mohamed Hamad Fakhri	4318	5083
Aman Ullah Khan	Nil	Nil
Nawaf Abdulsalam Al Hosani	Nil	Nil
Subah Abdulrahman Alzayani	Nil	Nil
Total	955614	864852

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 2020.



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 2020. 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 rules HC-1.4.6 and HC-1.4.8. An exemption was granted from the CBB in this regard.
- Contrary to guidance note HC-7.2.2, which requires all Board Members to attend the meeting, Mr. Hisham Alrayes, Board member, the Chairman of Board Credit and Investment Committee (BICC), the CEO, and other members of the Executive Management, have attended the annual shareholders meetings held on 25 March 2020, and 23 September 2020. They were delegated by the Board to attend the meetings, due to the pandemic circumstances, and to comply with the efforts and precautionary measures taken by the Kingdom of Bahrain to prevent and limit the spread of Corona Virus (Covid- 9).

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 2020, 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 2020. All related party transactions are approved by the Board of Directors and disclosed to the shareholders in the Annual General Meeting.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the parent company, other significant shareholders and entities over which the Group and the shareholders exercises significant influence, directors, sharia board members and executive management of the Group. The transactions with these parties were made on agreed commercial terms.

During the year, the Group entered into a swap transaction with its Parent at agreed terms by transferring assets of BD 46.4 million comprising financing assets of BD 27.7 million, Sukuk of BD 7.5 million and equity investment of BD 11.2 million in exchange for a 86% stake in HH Hospitality SPC, a Bahraini company incorporated solely to own a hotel under construction in the Kingdom of Bahrain. The transaction was assessed as an asset acquisition and did not result in any gain or loss for the Bank. The property under development was recognised at the fair value on the date of transfer.

31 December 2020

	Associates	Significant shareholders / entities in which directors are interested	Total
Transactions with related parties			
Underwriting fee on Subordinated Mudaraba	-	12,100	12,100
Sub-ordinated Mudaraba	-	60,000	60,000
Cash injection of AT1 Capital	-	23,600	23,600
Investment in associates	24,500	-	24,500
Acquisition of development property	-	60,000	60,000
Sale of financial assets	-	46,376	46,376
Transfer of financial assets	-	18,433	18,433
Profit distribution on AT 1 Capital	-	2,834	2,834

Details of Directors' interests in the Bank's ordinary shares as at the end of the year were nil (2019: 1,050,763 shares representing less than 1% of total outstanding shares of the Bank were held by one director).

Compensation of key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation during the year is as follows:

	2020	2019
Board member fees and allowances	236	254
Salaries and other short-term benefits	1,452	1,150

The key management personnel balances as of the end the year is as follows:

	2020	2019
Balances due to key management as compensation	228	426

The related party balances and transactions (except for compensation of key managerial personnel) included in these consolidated financial statements are as follows:

31 December 2020

	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Assets					
Financing assets	-	3,576	6,671	-	10,247
Investment securities	-	-	2,284	18,537	20,821
Equity accounted investees	31,963	-	-	-	31,963
Other assets	117	-	-	825	942
Liabilities					
Placement from financial institutions, Non-FIs and individuals	-	2,105	42,438	-	44,543
Customers' current accounts	135	85	6,784	1,211	8,215
Equity of investment account holders	413	241	79,846	327	80,827
Other liabilities	-	-	1,030	-	1,030

31 December 2019

	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Assets					
Financing assets	-	2,017	5,710	-	7,727
Investment securities	-	-	2,284	18,051	20,335
Equity accounted investees	4,524	-	-	-	4,524
Other assets	121	-	-	865	986
Liabilities					
Placement from financial institutions, Non-FIs and individuals	-	1,784	-	-	1,784
Customers' current accounts	194	61	5,634	1,207	7,096
Equity of investment account holders	404	598	122,880	380	124,262

2020

	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from financing assets and assets acquired for leasing	-	100	987	-	1,087
Fees and other income	(320)	-	2	-	(318)
Expenses					
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	100	1,937	-	2,037
Return to investment account holders	14	2	1,820	9	1,845
Staff cost	-	1,452	-	-	1,452
Other expenses	-	-	-	25	25

2019

	Associates	Directors / Key management personnel and shari'a board members	Parent company / other significant shareholders / entities in which directors are interested	Assets under management (including special purpose entities)	Total
Income					
Income from financing assets and assets acquired for leasing	-	128	373	-	501
Fees and other income	(42)	-	-	-	(42)
Expenses					
Finance expense on placements from financial institutions, non-financial institutions and individuals	-	-	2,931	-	2,931
Return to investment account holders	15	18	4,153	11	4,197
Staff cost	-	1,150	-	-	1,150
Other expenses	-	-	-	32	32

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 2020, 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 2020 indicates a total of 551 shareholders who collectively owned 892,119,480 (Eight Hundred Ninety-Two Million One Hundred Nineteen Thousand Four Hundred Eighty) share with a nominal value of BD 0.100 (One Hundred Fils) each. None 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	639,012,154	71.63
Non-Bahraini	253,107,326	28.37
Total	892,119,480	100.00

b) by size of shareholder

	No. of Shareholders	No. of Shares	% of total outstanding shares
Less than 1%	543	117,417,814	13.16
1% to less than 5%	5	104,880,910	11.76
5% to less than 10%	2	175,490,264	19.67
10% to less than 20%	-	-	0.00
20% to less than 50%	1	494,330,492	55.41
Total	551	892,119,480	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	494,330,492	55.41
Khaleeji Commercial Bank B.S.C	Bahrain	88,411,540	9.91
Goldilocks Investment Company Limited	UAE	87,078,724	9.76

*As at 31 December 2020, these shares representing 55% (2019: 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 2020.

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 2020, 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

Throughout the year 2020, and as part of its Corporate Social Responsibility and solid commitment to give back to the community, KHCB has made various contributions to different sectors in the Kingdom of Bahrain. This commitment has been an integral part of its policies since its establishment in 2004.

Additionally, and as part of its Islamic Duty, the Bank has worked closely with different Charitable Organizations and Institutes in the Kingdom to make various donations and help those in need.

KHCB will continue this approach in the coming years, as it is a pillar of its work to contribute to the development of social entities and directly support the less privileged in the community.