



B M B INVESTMENT BANK

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BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Mr. Wilson S. Benjamin	Chairman
Sheikh Abdullah Ali K. Al Sabah	Vice Chairman
Mr. Ebrahim A. S. Bu Hendi	Director
Prof. Awadh Kh. Al-Enezi	Director
Mr. Karunaker Nampalli	Director
Mr. Jawad Naser Jawad Jaafar	Director
Mr. Salim Ali	Director
Mr. Yohannan Abraham	Director

Executive Committee

Sheikh Abdullah Ali K. Al Sabah	Chairman
Mr. Wilson S. Benjamin	Vice Chairman
Mr. Salim Ali	Member

Audit Committee & Corporate Governance Committee

Mr. Ebrahim A. S. Bu Hendi	Chairman
Prof. Awadh Kh. Al-Enezi	Vice Chairman
Mr. Karunaker Nampalli	Member

Nomination & Remuneration Committee

Prof. Awadh Kh. Al-Enezi	Chairman
Mr. Ebrahim A. S. Bu Hendi	Vice Chairman
Mr. Jawad Naser Jawad Jaafar	Member

BOARD OF DIRECTORS

Mr. Wilson S. Benjamin

Chairman, Board of Directors – Executive Director
Vice Chairman, Executive Committee
Appointed to the Board on 11 March 2000

Prior to his election as Chairman of the Board of the Bank in March 2006, Mr. Benjamin was the Vice Chairman of the Bank. Over the last 20 years, he has served as the Chief Executive Officer of a number of major multi-national companies and has managed investments in public and private companies in the United States, Europe and the Gulf Cooperation Council. Mr. Benjamin received a B.Sc. in Business Administration from Al-Hikma University in Baghdad, Iraq.

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Sheikh Abdullah Ali K. Al Sabah

Vice Chairman, Board of Directors – Executive Director
Chairman, Executive Committee
Appointed to the Board on 11 May 2005

Prior to his election as Vice Chairman in March 2006, Sheikh Abdullah was a member of the Board of Directors of the Bank. He is Chairman of Universal Food, Chief Executive Officer of Universal Media and the Joint-CEO of Tawseel eCommerce Group in Kuwait. He also serves on the Boards of many other companies in Kuwait, Egypt and the United States. He has a Bachelors in Engineering and a Masters in Finance from George Washington University.

Mr. Ebrahim A. S. Bu Hendi

Director, Board of Directors – Independent Director
Chairman, Audit Committee & Corporate Governance Committee
Vice Chairman, Nomination & Remuneration Committee
Appointed to the Board on 11 May 2005

Mr. Bu Hendi has over 30 years of banking and treasury experience gained through working with CitiBank, Chase Manhattan, Banque BNP Paribas and National Commercial Bank, Saudi Arabia. He also spent 16 years at Bank of Bahrain & Kuwait as AGM – Treasury, Investment and overseas branches. He has been Board Member and Chairman of the Audit Committee of Bahrain Commercial Facilities Company since March 2007. Mr. Bu Hendi has an MBA from Sheffield Hallam University, U.K.

Prof. Awadh Kh. Al-Enezi

Director, Board of Directors – Independent Director
Vice Chairman, Audit Committee & Corporate Governance Committee
Chairman, Nomination & Remuneration Committee
Appointed to the Board on 23 October 1999

Prof. Al-Enezi is a PhD graduate of Bath University, U.K. in 1991 and the University of New York in 1993. He is presently a lecturer at the University of Kuwait. A recipient of numerous awards, he has published several papers dealing with the socio-economic culture in Kuwait. He is an active Board member of several committees in Kuwait University and as consultant in the public and private sectors.

Mr. Karunaker Nampalli

Director, Board of Directors – Executive Director
Member of the Audit Committee & Corporate Governance Committee
Appointed to the Board on 8 July 2006

Mr. Nampalli has over 40 years of banking and finance experience. He held senior banking positions in India and GCC specializing in trade, corporate and project finance. During his banking career, he also served as faculty member of a staff training college and conducted several banking workshops in major cities across India. Mr. Nampalli is a graduate of Osmania University, India and holds a Post Graduate Diploma in Export-Import Management. He is also a Certified Associate of the Indian Institute of Bankers.

Mr. Jawad Naser Jawad Jaafar

Director, Board of Directors – Independent Director
Appointed to the Board on 26 November 2014

Mr. Jaafar is a veteran banker who has worked for 30 years in various banking institutions including Banque Indosuez, Ahli Commercial Bank, Eskan Bank and Seera Investment Bank. His spectrum of experience spans banks in Bahrain and abroad both in local and multinational institutions. He is a graduate of the University of Basra with a diploma in Chemistry in 1974, BIBF with a diploma in Intermediate Banking Studies in 1991 and the Arab University of Beirut with a diploma in General Law Studies in 2001.

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Mr. Salim Ali

Director, Board of Directors – Independent Director
Appointed to the Board on 26 November 2014

Mr. Ali is a Partner and heads the International Division at Al-Hamad Legal Group in Kuwait. Mr. Ali is a highly accomplished attorney with a strong legal background with over 14 years of experience in commercial and corporate law in over 25 countries worldwide. His primary practice areas include Mergers and Acquisitions, Joint Ventures, Capital Markets and Corporate Governance. He is a member of the Virginia Bar Association in the United States having been admitted to the State Bar of Virginia in 2002. Previous to that, he received his Bachelor's degree from George Mason University and subsequently his Juris Doctor degree from Rutgers University School of Law.

Mr. Yohannan Abraham

Director, Board of Directors – Independent Director
Appointed to the Board on 26 November 2014

Mr. Abraham has more than 33 years of experience spanning a number of multinational banks in leadership positions. He was the Chief Executive Officer of Société Générale Wealth Management in Bahrain and before that was a Director of BNP Paribas in Geneva. Earlier in his career, he worked for Shearson Lehman Inc., and Merrill Lynch International in Bahrain. He is a licensed Financial Consultant recognized by the Financial Industry Regulatory Authority in the United States and a Masters of Commerce degree holder from Madurai Kamaraj University.

SENIOR MANAGEMENT PROFILE

Mr. Ritchie Skelding

Chief Executive Officer
Chairman of the Executive Management Committee

Mr. Skelding joined BMB as Chief Executive Officer in April 2013. He has extensive international experience in investment and commercial banking and a proven track record in delivering value for shareholders.

Mr. Skelding has previously held executive positions with Spectrum Capital Limited as Director and Senior Vice President and at The Long-Term Credit Bank of Japan Ltd. (London Branch), where he was Vice President, Head of Corporate Banking. He began his career at Hill Samuel Merchant Bank.

Mr. Skelding graduated from the University of Durham in 1986. He holds the City Financial Diploma (Honours) and The Securities Institute Certificate of Corporate Finance. Mr. Skelding is a member of the Royal Aeronautical Society, a Freeman of The Guild of Air Pilots and Air Navigators, and a member of the Aviation Club of Great Britain. He is a Director of a number of companies in the USA, UK and Middle East.

Mr. Gaurav Baid

Chief Financial Officer
Vice Chairman of the Executive Management Committee

Mr. Baid joined BMB as Chief Financial Officer in October 2013. He has extensive diversified experience in consulting and industry experience in financial services in the Kingdom of Bahrain. He is a qualified Chartered Accountant and an Associate Member of the Institute of Chartered Accountant of India.

He has previously served as a Senior Manager at Ernst & Young, Kingdom of Bahrain, with primary focus on audit of key investment and commercial banks. His work in India covered advisory and assurance services in manufacturing, trading and service industries.

Mr. Raza Shah Kakakhail

Head of Operations
Member of the Executive Management Committee

Mr. Shah holds a Master's Degree in Public Administration (Major Finance) from University of Peshawar, Pakistan.

Mr. Shah joined BMB in June 2010 and has over 18 years of combined experience across both commercial and investment banking including banking operations, business expansion, treasury, trade finance, Islamic banking, corporate finance and client relationship management. Previously, Mr. Shah was employed at Bank Alfalah Limited as Country Head, Afghanistan and MCB Bank Ltd., Pakistan in various managerial level capacities.

Mr. Mohammed Al Shaikh

Head of Human Resources

Mr. Al Shaikh joined BMB in 1983. He has over 38 years of experience in human resources, administration, training and development of staff. He has received extensive training in human resources and banking through courses in the U.K. and in the Kingdom of Bahrain. Prior to joining BMB, Mr. Al Shaikh worked with Aluminum Bahrain in the Human Resources Department.

Mr. Philip Morley

Head of Information Technology

Mr. Morley joined BMB in 1998. He has over 18 years of experience in the IT Industry with in-depth knowledge of application systems, software development, project management and IT Infrastructure expertise. Prior to joining BMB, Mr. Philip Morley served as a consultant handling projects for various multinational organizations in India.

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Mr. Mohamed Alhusaini

Vice President - Governance, Risk and Compliance
Member of the Executive Management Committee

Mr. Alhusaini joined BMB in 2011. He has 9 years of experience initially starting in Risk Management and eventually taking up key Compliance and Corporate Governance roles. He is an ICA - International Diploma in Compliance - holder and a Member of the International Compliance Association (MICA). He is also an affiliate of The Professional Risk Managers International Association (PRMIA). He graduated with a Bachelor of Commerce degree majoring in Finance from McGill University in Montreal, Canada. Prior to joining BMB, Mr. Alhusaini worked with Eskan Bank, Kingdom of Bahrain.

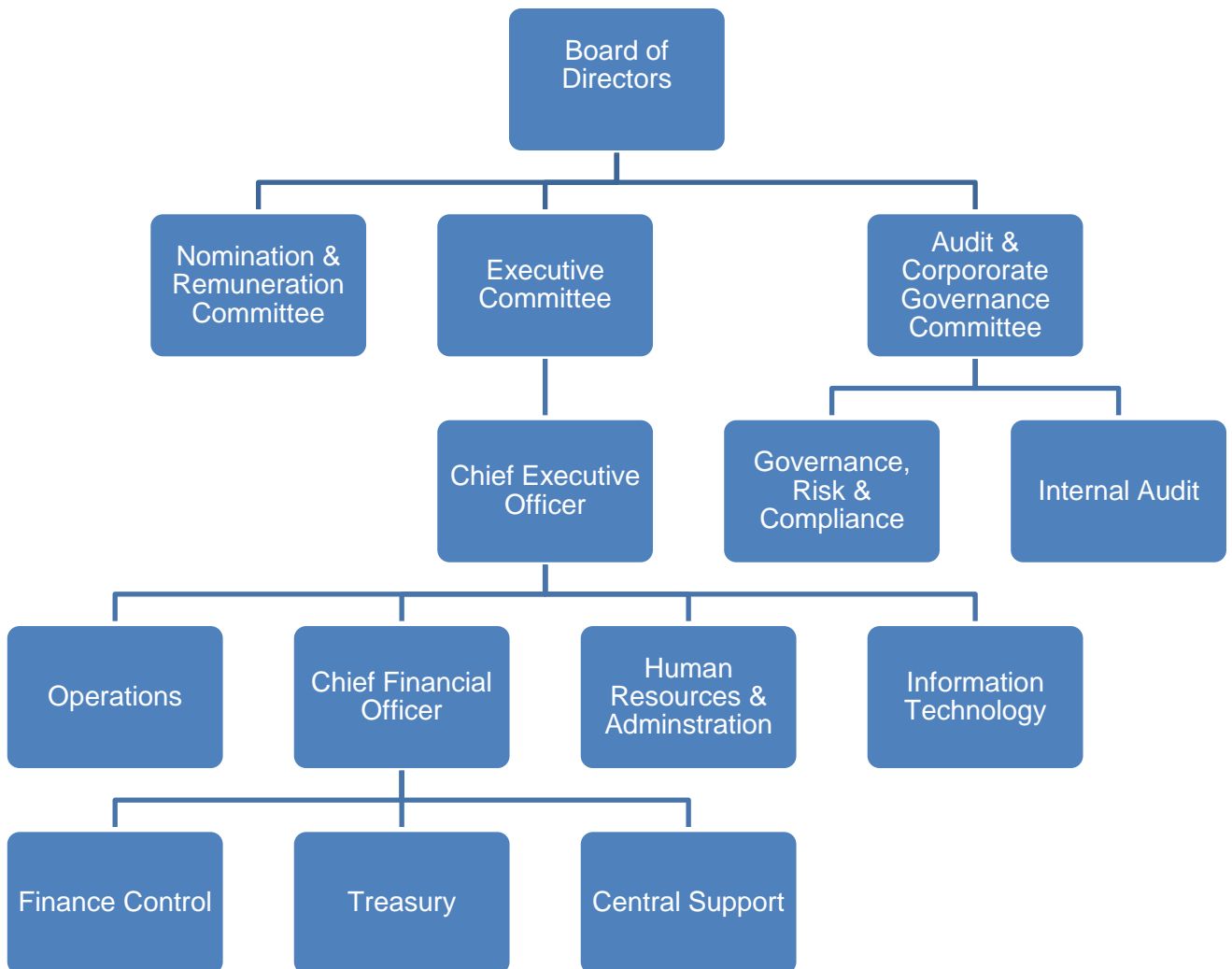
Mr. Jeet Gandhi

Head of Internal Audit

Mr. Gandhi is a Certified Internal Auditor and a Member of The Institute of Internal Auditors. He is also a qualified Chartered Accountant and an Associate Member of the Institute of Chartered Accountants of India.

Mr. Gandhi joined BMB in October 2013. He has over 15 years of experience in audit and consulting in the financial services and private equity sector in India and in the Kingdom of Bahrain. Prior to joining BMB, he served as an Assistant Manager at Ernst & Young, Kingdom of Bahrain, with primary focus on audit of key investment and commercial banks and asset management companies.

CORPORATE STRUCTURE



CORPORATE GOVERNANCE REPORT

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Corporate Governance Report

1. Introduction

BMB operates under a written corporate governance framework drawn from the Corporate Governance Code of the Kingdom of Bahrain. This framework explicitly states the goals, roles and responsibilities for its Board of Directors, management and staff, and includes well defined reporting lines and structures. At the department level, the Bank employs detailed policies and procedures, segregation of duties and dual controls to be in conformance with the Code.

2. Framework

The Corporate Governance Framework of the Bank includes:

- A Disclosure Policy;
- Code of Conduct policy;
- Code of Ethics;
- Whistle Blower Policy;
- Remuneration Policy;
- Key Persons Dealing Policy; and
- Corporate Governance Policy.

3. Shareholders

The shareholding structure of the Bank as at 31 December 2016 is as follows:

3.1 Top five shareholders

Name of the shareholder	Number of shares	% of shareholding
AN Investment W.L.L. (Bahrain)	104,000,000	42.97%
Al Fawares Holding Company K.S.C. (Kuwait)	57,906,308	23.93%
Massaleh Investment Company K.S.C. (Kuwait)	19,600,005	8.10%
Mohammed Al Ohali (Saudi Arabia)	19,425,691	8.03%
Securities Group K.S.C. (Kuwait)	11,760,000	4.86%

3.2 Distribution of shareholders as percentage of total outstanding shares

Ordinary shares	Number of shares	Number of shareholders	% of shareholding
Less than 1%	9,704,440	13,131	4.01%
1% to less than 5%	31,366,882	3	12.96%
5% to less than 10%	39,025,696	2	16.13%
10% to less than 20%	-	-	-
20% to less than 50%	161,906,308	2	66.90%
50% and above	-	-	-
Total	242,003,326	13,138	100.00%

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3. Shareholders (continued)

3.3 Distribution of shareholders by nationality

Country	% of shareholding
Kingdom of Bahrain	44.77%
State of Kuwait	38.53%
Kingdom of Saudi Arabia	8.58%
Arab Republic of Egypt	4.80%
Others	3.32%
Total	100.00%

Neither the Government of the Kingdom of Bahrain nor senior management of the Bank holds any shares of the Bank.

Two Directors on record held direct shareholding in the Bank; Sheikh Abdullah Ali K. Al Sabah (158,836 shares) and Prof. Awadh Kh. Al-Enezi (126,001 shares) as of 31 December 2016 and 31 December 2015.

3.4 Insider Trading

No trading of the Bank's shares was undertaken by its Directors or senior management during the financial year 2016.

4. The Board of Directors

4.1 Responsibilities of the Board

The Board is ultimately responsible for the governance and performance of the Bank. The Board discharges that responsibility by:

- Setting the strategic direction of the Bank including the identification, acceptance, monitoring and management of risks;
- Establishing a robust corporate governance system, which includes risk limits, internal controls, policies and procedures and a system to foster compliance with applicable laws and as well as professional standards and ethics by itself and Bank staff and monitoring the same for implementation;
- Reviewing its own and the Bank management's performance; and
- Preparation and reporting of the Bank's financial results in a fair and transparent manner.

4.2 Structure and composition of the Board

In accordance with the Bank's Articles of Association, the Board is elected by the Bank's shareholders. The current composition of the Board is eight Directors, with five being Independent Directors. Collectively, the Board possesses knowledge, experience and skills appropriate for the Bank.

The Board considers that there is an appropriate balance of Executive and Independent Directors on the Board and that the current Board composition is appropriate.

The roles and responsibilities of the Chairman and the CEO are separate from one another.

4. The Board of Directors (continued)

4.2 Structure and composition of the Board (continued)

The Chairman's main responsibilities are:

- To lead the Board and ensure the effective engagement and contribution of all Directors, so that the Board may fully discharge its legal and regulatory responsibilities;
- To ensure effective communication with shareholders and ensure that the Board members understand the views of the major shareholders; and
- To develop a constructive relationship with the CEO and to manage his performance.

The day-to-day management of the Bank has been delegated by the Board to the CEO. The CEO is responsible for the control and monitoring of the Bank's business on a day-to-day basis, recommending strategy to the Board, leading senior management and implementing the Board's strategic and operational decisions.

Independent Directors have the flexibility to meet prior or post the Board meetings and to review issues without the presence of the other Board members.

4.3 Appointment / Re-election of the Board

The Board of Directors are elected based on majority voting by the shareholders. The current Board of Directors were re-elected at the Annual General Meeting on 23 March 2014, for a three year period.

4.4 Induction and professional development

Induction programs are tailored for all newly appointed Directors. The program comprises a comprehensive Directors' Handbook, meetings with other Directors and senior management, as well as comprehensive guidance on the duties and responsibilities of Directors, the Bank's policies and procedures and relevant legal and regulatory requirements.

4.5 Assessment of the Board

The performance evaluation of the Board, its Committees and Directors was undertaken at the year end. The Evaluation Report will be placed before the shareholders at the Annual General Meeting on 16 February 2017.

4.6 Meetings of the Board of Directors and Committees

The Board of Directors met as per the constitution of each Committee and in line with the Articles of the Bank and the Corporate Governance Code. They also received information between meetings in respect of activities of the management committee and developments in the Bank's business.

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Corporate Governance Report

4. The Board of Directors (continued)

4.6 Meetings of the Board of Directors and Committees (continued)

4.6.1 Meetings of the Board of Directors

The Board of Directors met four times during the year ended 31 December 2016, on the dates listed below:

Name of Director	Board Meetings (Location: Kingdom of Bahrain)			
	10 February 2016	12 May 2016	11 August 2016	3 November 2016
Mr. Wilson S. Benjamin	✓	✓	✓	✓
Sheikh Abdullah Ali K. Al Sabah	✓	✓	✓	✓
Mr. Ebrahim A. S. Bu Hendi	✓	✓	✓	✓
Prof. Awadh Kh. Al-Enezi	✓	✓	✓	✓
Mr. Karunaker Nampalli	✓	✓	✓	✓
Mr. Jawad Naser Jawad Jaafar	✓	✓	✓	✓
Mr. Salim Ali	✓	✓	✓	✓
Mr. Yohannan Abraham	✓	x	✓	✓

✓ Present, including attendance through conference calls

4.6.2 Meetings of the Executive Committee

The Executive Committee met four times during the year ended 31 December 2016, on the dates listed below:

Name of Director	Executive Committee Meetings			
	21 January 2016	28 April 2016	4 August 2016	27 October 2016
Sheikh Abdullah Ali K. Al Sabah	✓	✓	✓	✓
Mr. Wilson S. Benjamin	✓	✓	✓	✓
Mr. Salim Ali	✓	✓	✓	✓

4.6.3 Meetings of the Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee met four times during the year ended 31 December 2016, on the dates listed below:

Name of Director	Audit and Corporate Governance Committee Meetings			
	10 February 2016	12 May 2016	11 August 2016	3 November 2016
Mr. Ebrahim A. S. Bu Hendi	✓	✓	✓	✓
Prof. Awadh Kh. Al-Enezi	✓	✓	✓	✓
Mr. Karunaker Nampalli	✓	✓	✓	✓

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4. The Board of Directors (continued)

4.6 Meetings of the Board of Directors and Committees (continued)

4.6.4 Meetings of the Nomination & Remuneration Committee

The Nomination & Remuneration Committee met twice during 2015. During the year ended 31 December 2016, the Nomination & Remuneration Committee met on the dates listed below. The aggregate remuneration paid to its members during 2016 amounted to US\$ 10 thousand (2015: US\$ 10 thousand).

Name of Director	Nomination & Remuneration Committee Meetings	
	10 February 2016	3 November 2016
Prof. Awadh Kh. Al-Enezi	✓	✓
Mr. Ebrahim A. S. Bu Hendi	✓	✓
Mr. Jawad Naser Jawad Jaafar	✓	✓

4.7 Board Committees

The Board has established the following four committees to ensure that it carries out its functions and provides effective supervision and leadership:

- Executive Committee
- Audit Committee
- Corporate Governance Committee
- Nomination and Remuneration Committee

The functions of the Audit Committee and Corporate Governance Committee have been combined based on the activities of the Bank, with the prior approval of the Central Bank of Bahrain.

4.7.1 Executive Committee (“EXCO”)

The primary responsibilities and functions of EXCO are to:

- Act on behalf of the Board when practicality and expediency dictates;
- Act in limited circumstances, on emergency matters that require immediate approval or other actions of the Board;
- Ensure continuity in the management of the business and affairs of the Bank;
- Discuss at greater lengths various macro management aspects of the Bank, including investments, credit, risk and capital adequacy aspects of the Bank;
- Provide an avenue where specific issues may be explored in greater depth than may be possible during Board meetings; and
- Act as an advisor to the Board on various matters.

4. The Board of Directors (continued)

4.7 Board Committees (continued)

4.7.2 Audit Committee

The primary responsibilities and functions of the Audit Committee are to provide assistance to the Board to fulfill its duties to ensure and oversee:

- The integrity of the Bank's financial statements;
- The suitability, independence and performance of the Bank's auditors (internal and external), as well as remuneration of the Bank's external auditors;
- Internal controls, including controls over financial reporting and disclosure; and
- Compliance with legal and regulatory requirements.

Generally, the role of the Audit Committee is advisory in nature, with recommendations reported to the Board for final approval. However, in certain limited circumstances decisions may be taken by the Audit Committee, which are binding on the Board (i.e. approving the terms of engagement of the external auditor). The Audit Committee holds a minimum of four meetings per year and provides regular reports to the Board.

4.7.3 Corporate Governance Committee

The primary responsibilities and functions of the Corporate Governance Committee are:

- To oversee the annual performance evaluation of the Board and individual Directors;
- To ensure the compliance with regulatory requirements relating to corporate governance; and
- Report on corporate governance matters to the Bank's constituents; in particular reference to the regulator and shareholders.

The role of this Committee is advisory in nature. Recommendations, if any, are made to the Board for final approval.

4.7.4 Nomination & Remuneration Committee

The Nomination & Remuneration Committee responsibilities are to:

- Identify persons qualified to become members of the Board or senior managers of the Bank (with the exception of the appointment of the internal auditor which is the responsibility of the Audit Committee), and make recommendations accordingly;
- Review the Bank's remuneration policies for approved persons consistent with Central Bank of Bahrain ("CBB") guidelines, corporate values and strategy of the Bank;
- Make recommendations regarding remuneration policies and amounts for approved persons to the Board, taking account of total remuneration including salaries, fees, expenses and employee benefits;
- Recommend Board member remuneration based on their attendance and performance; and
- Oversee Directors' corporate governance educational activities.

In determining the composition of the Board, the Nomination and Remuneration Committee considers the knowledge, skills and experience required by the Board. No Director participates in any decisions regarding his own appointment or remuneration. The Nomination and Remuneration Committee is authorized to take certain appointment and remuneration decisions which may bind the Board. In all other cases, recommendations are made to the Board for its final approval.

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Corporate Governance Report

5. Code of ethics and conflict of interest

The Corporate Governance Committee reviews the Code of ethics and conflict of interest declarations by each Board member and employees of the Bank, and reports to the shareholders at each Annual General Meeting.

The Board maintains awareness of other commitments of its Directors and senior management. BMB implemented a Directors' Conflict of Interest Policy which is part of the Code of Conduct. As at 31 December 2016, the Board was satisfied that other commitments of the Directors and senior management do not conflict with their duties.

6. External Auditors

Ernst & Young were appointed as the external auditors of the Bank for the year 2016 by the shareholders in the Annual General Meeting held on 27 March 2016.

The Audit Committee and Articles of Association include measures to ensure ongoing independence of the Bank's external auditors. The details of audit and non-audit fees payable to the external auditors are available at the Bank's corporate office.

The Bank's external auditors, have unhindered access to the Audit Committee, Executive Committee, and the Board of Directors, with or without members of management being present to discuss their audit findings and any other matter which should be brought to the attention of the Board.

7. Internal Control

The Board is committed to managing risk and ensuring that effective measures are in place to safeguard the Bank's assets, ensure proper accounting records and reliable financial information by procedures designed to avoid or reduce risks and ensure compliance with applicable laws and regulations.

The Bank's internal controls over financial reporting comprise processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles.

While the Audit Committee oversees and reviews the Bank's compliance policies and their implementation, the Bank's compliance officer, acts as the focal point and is responsible for implementing, monitoring and ensuring compliance with regulatory and statutory requirements. Compliance with anti-money laundering procedures and internal training in such procedures is also monitored and implemented by the Bank's compliance officer.

The Bank's compliance officer also serves as its Money Laundering Reporting Officer ("MLRO") for financial crimes regulatory purposes.

8. Related-party transactions

Details of all transactions where a Director and/or other related parties might have potential interests are provided to the Board for its review and approval, and the interested Directors neither participate in the discussions nor vote on such matters. During the year, the executive members of the Board abstained from voting on some contracts or transactions involving conflict of interest. Those contracts or transactions were approved by the independent members of the Board.

For details of the Bank's related party transactions, please see Note 22 of the audited consolidated financial statements as of 31 December 2016.

9. Communication with shareholders

In addition to the Bank's extensive disclosure through its annual report and website, the Chairman and the CEO are in regular dialogue with the controllers to ensure that the Board understands their views.

In compliance with CBB regulations under PD Module of the Volume 1 of CBB Rulebook, the Bank has an approved Public Disclosure policy that discloses material information about its activities to various stakeholders of the Bank.

10. Dividend policy

The Bank's dividend payout is dependent on the financial position of the Bank and the overall strategy as determined by the Board.

11. Remuneration

In 2014, the shareholders approved a Remuneration Policy and an Employee Shares Incentive Plan to comply with CBB's Guidelines on Sound Remuneration Practices. The Remuneration Policy formalizes the basis for remuneration in the Bank for the Directors and all staff, by effectively linking remuneration to performance. It also introduces new methods that ensure rewards are properly linked with the risks being taken and the timing and likelihood of future revenues. It introduces provisions for clawback and malus to protect the shareholders' interests in case of deterioration of the business due to past actions of individuals employed by the Bank. It also includes back testing and stress-testing methodologies to ensure that the policies adopted are suitable for the intended purpose.

The Nomination and Remuneration Committee ("NRC") is responsible for the effective implementation and maintenance of the Remuneration Policy. It approves the remuneration system in the Bank, which includes remuneration for each member of Executive Management and the total variable remuneration to be distributed. The remuneration pool is set to materially mirror the performance of the Bank. NRC is also responsible for administering the long term performance assurance measures such as deferral of remuneration or, when required, clawback and malus.

The foremost principle of the remuneration system is Risk Management, where remuneration must be effectively aligned with prudent risk taking practices and discipline at all levels of the Bank. The remuneration of all executive management must be adjusted for all types of risks. Any given bonus or variable remuneration may not be linked directly to a revenue amount or a net profit figure without taking into account risk factors for possible adjustment. As a minimum, the following risks are evaluated by the NRC annually and remuneration adjusted accordingly:

- Credit / Investment Risk;
- Market Risk;
- Liquidity Risk;
- Cost & quantity of Capital;
- Capital Adequacy;
- Reputational Risk;
- Regulatory Risk; and
- Timing of revenues, risks and cash flow.

In its review of those risks, NRC uses various quantitative and qualitative data to form its opinion. The experience and judgement of the Board members is relied on in particular for assessing risks that are subjective in nature.

The deferral of remuneration is an instrumental tool in ensuring that, where profits and losses are realised over different periods of time, the remuneration is aligned to the time horizon of the risks. This would be applicable particularly where the time horizon of the future cash flows is either far into the future or uncertain. The NRC examines closely pay-outs made out for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of the pay-out.

The forms of remuneration approved are cash and equity, with the form and mix of remuneration in either of those instruments dependent on the proper alignment of risks.

11. Remuneration (continued)

The Remuneration system takes into account the overall performance of the Bank, however individuals employed at all levels are primarily remunerated based on their performance vis-à-vis achieving their set objectives. The system distinguishes between Executive Management engaged in risk taking and those in control functions, whose objectives are different and are measured accordingly.

Material Risk Takers are executives who through their activity and authority have a material impact on the risk exposure of the Bank and its ability to generate revenue and profits. Material Risk Takers are paid with both fixed and variable elements. The variable remuneration component constitutes a substantial portion of the potential total remuneration for such executives during each year and increases significantly along with the level of seniority and responsibility. Half of the variable remuneration paid to these officers is required to be in equity. On the other hand, executives and staff employed in control functions are remunerated independently of the business areas that they oversee. The performance measures of such persons must be based principally on the achievement of the objectives and targets of their functions rather than the performance of the business line they may be monitoring for the Bank. As such, the mix of fixed and variable remuneration for control function staff is weighted in favor of fixed remuneration.

The remuneration paid out to the Board Members, approved persons in business lines, approved persons in control functions, other material risk takers and other staff with details on amounts, deferrals and instrument type is disclosed below:

Total Remuneration (US\$ '000)	2016		2015		2014		2013		2012	
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable
Members of Board of Directors - Sitting Fees	99	-	102	-	82	-	94	-	85	-
Members of Board of Directors - Other Remuneration	12	-	-	-	-	-	-	-	-	-
Approved Persons in Business Lines	1,109	1,128	1,095	1,146	1,087	-	1,040	763	1,338	605
Approved Persons in Control Functions	665	542	657	350	470	104	432	62	500	79
Other Material Risk Takers	91	-	136	28	121	18	61	-	-	-
Other staff not included in above categories	1,114	133	1,107	141	945	78	1,745	80	1,298	117

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Total Variable Remuneration (US\$ '000)	2016		2015		2014		2013		2012	
	Cash	Equity	Cash	Equity	Cash	Equity	Cash	Equity	Cash	Equity
Members of Board of Directors	-	-	-	-	-	-	-	-	-	-
Approved Persons in Business Lines	564	564	573	573	-	-	763	-	605	-
Approved Persons in Control Functions	354	188	159	191	104	-	62	-	79	-
Other Material Risk Takers	-	-	28	-	18	-	-	-	-	-
Other staff not included in above categories	133	-	141	-	78	-	80	-	117	-

No guaranteed bonuses, sign-on rewards or severance payments were awarded during the year.

In the previous year, the Group had initiated a share incentive plan under which eligible employees receive a portion of their annual performance-based incentive compensation in the form of shares vesting over a period of three years. These shares were granted to the employees at US\$ 15 cents per share. There are 10,112,017 shares (2015: 5,094,273) in the incentive plan. All these shares have commenced vesting, but have not fully vested as at 31 December 2016. An income statement charge of US\$ 64 thousand (2015: Nil) was taken by the Group based on management's best estimate of the number of shares that are likely to vest.

Included in the variable remuneration to be paid in cash, is US\$ 114 thousand (2015: US\$ 123 thousand), which is deferred cash incentive and will vest over a period of three years based on certain conditions.

The start and end date of the vesting period is based on continued employment as well as satisfaction of certain performance conditions. The determination of the amount of expense to be recognised as compensation expense in any year is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

11. Aggregate remuneration to the Board of Directors and senior management

The aggregate remuneration to the Board of Directors and senior management is disclosed above. Further details, including the specific amounts paid to Board Committee members, are available at the corporate office of the Bank.

12. Employment of relatives of approved persons

As a matter of policy, the Bank avoids the employment of any close relative of any member of its existing staff. Employing relatives would be with consideration to the applicants' qualifications and merits and is subject to approval by the NRC, with the condition that any conflicts of interest (if any) be fully disclosed and accepted by the committee.

The Chief Executive Officer discloses to the Board annually the relatives of any approved persons occupying controlled functions within the Bank.

During the year, the Bank did not employ any close relatives of any staff of the Bank.

13. Corporate Governance Code and Status of Compliance

The Bank's Board and management have endeavored to comply with the Corporate Governance requirements as prescribed in the High Level Controls Module and Public Disclosures Module of the CBB Rulebook Volume 1. The Rulebook incorporates the Corporate Governance requirements issued by the Ministry of Industry and Commerce in 2010. The External Auditors of the Bank have also reviewed the adherence of the Bank to the Corporate Governance Code and the disclosure requirements of the CBB.

The Bank's Corporate Governance framework contains a full set of Charters, Policies, and a Corporate Governance Committee in line with the guidelines and industry best practices.

The Bank is in compliance to the requirements of the above, as at 31 December 2016 with the following exceptions, which are duly explained below.

Rule-book Reference	Regulation	Status and Explanation
HC-1.4.6 (Guideline only) And HC-1.4.8	The chairman of the Board should be an independent director, so that there will be an appropriate balance of power and greater capacity of the Board for independent decision making. The Chairman must not be an Executive Director.	Being a 'controlled company', Chairman is an Executive Director, being representative of a controller.

KEY PERFORMANCE INDICATORS

Bahrain Middle East Bank B.S.C.
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5 years key ratios	2016	2015	2014	2013	2012
Gross operating income (US\$ '000)	11,157	12,566	12,231	11,929	9,148
Net profit (loss) (US\$ '000)	5,073	5,079	4,524	(4,657)	2,188
Return on average assets (%)	3%	3%	3%	-4%	4%
Return on average shareholders' equity (%)	13%	15%	15%	-16%	7%
Cost-to-income (%)	51%	44%	43%	53%	70%