



BAHRAIN MIDDLE EAST BANK B.S.C.

Invitation to the Annual Ordinary General Meeting

Notice is hereby given that the Annual Ordinary General Meeting of the Shareholders of the Bank will be held at The Bahrain Conference Centre, The Crowne Plaza Hotel, Bahrain on Thursday, 16 February 2017 at 10:00AM for the purpose of transacting the below business:

1. Review and approval of the Minutes of the Ordinary General Meeting of Shareholders held on 27 March 2016.
2. Presentation and approval of the Report of the Board of Directors on the Bank's business activities for the year ended 31 December 2016.
3. Presentation and approval of the Auditors' Report for the year ended 31 December 2016.
4. To discuss and approve the consolidated financial statements for the year ended 31 December 2016.
5. To discuss and take on record the Board of Directors' Report on Corporate Governance and compliance with the Central Bank of Bahrain's requirements for year 2016.
6. To approve the recommendation of the Board of Directors to allocate US\$ 5,000 for the sponsorship of socially responsible activities and donations to various charities during the financial year 2017.
7. Discharge Members of the Board of Directors' from any liability in respect of the year ended 31 December 2016.
8. Election of Board of Directors of the Bank for a three year term, subject to Central Bank of Bahrain approval.
9. Appointment of External Auditors for the year 2017 and authorize the Board of Directors to fix their remuneration, subject to approval of Central Bank of Bahrain.
10. Any other matters that may arise in accordance with Article 207 of the Commercial Companies Law of the Kingdom of Bahrain

Important Note to Shareholders:

1. *In the absence of a quorum at the first meeting of the General Meeting, invitation is hereby relayed for a second meeting on 23 February 2017 at the same time and place indicated above. In the absence of a quorum at the second meeting of the General Meeting you are hereby invited to a third meeting on 2 March 2017 at the same time and place indicated above.*
2. *A shareholder may appoint another shareholder or a third party to act as his Proxy. A proxy **shall not** be the Chairman, members of the Board of Directors or employees of the Bank.*
3. *The shareholders or their proxy who wish to attend the meeting should register with Karvy Computershare W.L.L., Zamil Tower, Office #74, 7th Floor – Ph: (973) 17215080 – Fax: (973) 17212055, email address: Bahrain.helpdesk@karvy.com, 24 hours prior to the meeting.*

- Chairman

**PROXY TO ATTEND THE
ANNUAL ORDINARY GENERAL MEETING**

I, the undersigned being a Shareholder in Bahrain Middle East Bank B.S.C., appoint..... holder of CPR no. (identification).....to represent me and vote on my behalf at the Annual Ordinary General Meeting, due to be held at The Bahrain Conference Centre, The Crowne Plaza Hotel, Bahrain at 10:00AM on Thursday, 16 February 2017, or any subsequent adjournment thereof.

<i>I confirm below (x) how the appointed proxy should vote:</i>	<u>For</u>	<u>Against</u>
1. Approve the Minutes of the Ordinary General Meeting of Shareholders held on 27 March 2016.	<input type="checkbox"/>	<input type="checkbox"/>
2. Approve the Report of the Board of Directors' on the Bank's business activities for the year ended 31 December 2016	<input type="checkbox"/>	<input type="checkbox"/>
3. Approve the Auditors' Report for the year ended 31 December 2016	<input type="checkbox"/>	<input type="checkbox"/>
4. Approve the consolidated financial statements for the year ended 31 December 2016.	<input type="checkbox"/>	<input type="checkbox"/>
5. Take on record the Board of Directors' Report on Corporate Governance and Compliance for the year 2016.	<input type="checkbox"/>	<input type="checkbox"/>
6. Approve an allocation of US\$ 5,000 for sponsorship of socially responsible activities and donations to various charities during the financial year 2017	<input type="checkbox"/>	<input type="checkbox"/>
7. Discharge Members of the Board of Directors' from any liability in respect of the year ended 31 December 2016.	<input type="checkbox"/>	<input type="checkbox"/>
8. Election of members as Board of Directors for a three year term, subject to Central Bank of Bahrain approval.	<input type="checkbox"/>	<input type="checkbox"/>
9. Approve the appointment of Messrs. Ernst & Young as the External Auditors of Bank for the Financial Year 2017, and authorize the Board of Directors' to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Date: / / 2017

Shareholder number:

Shareholder name:

Number of shares:

Signature:

AGENDA ITEM 1:

Minutes of the Ordinary General Meeting held on 27 March 2016

Upon the invitation of the Board of Directors of Bahrain Middle East Bank B.S.C., the Annual General Meeting was held at 10:00 AM on Sunday, 27th of March, 2016 at The Bahrain Conference Centre, The Crowne Plaza Hotel, Manama, Kingdom of Bahrain. The meeting was held in the presence of representatives of the Central Bank of Bahrain, Ministry of Industry and Commerce, Bank's Auditors (Ernst & Young), Bahrain Bourse, Karvy Computershare W.L.L., and Bank's Legal Advisors Zeenat Al Mansoori, as listed:

1. Central Bank of Bahrain – Wholesale Banking Supervision Directorate

Mr. Isa Al Motawaj
Mrs. Fatima Abdulla

2. Ministry of Industry & Commerce

Mrs. Hawraa Khalaf

4. Bank's Auditors – Ernst & Young

Mr. Essa Al Jowder
Mr. S. Ali Khalaf

5. Bahrain Bourse

Mr. Hassan Thamer

6. Karvy Computershare W.L.L.

Mr. Srinivas Sudheer

7. Bank's Legal Advisor – Zeenat Al Mansouri

Ms. Amel Al Aseeri

Meeting's Quorum

The meeting was attended by shareholders who have voting rights representing 85.13% of the Shareholders.

The meeting was chaired by Sh. Abdulla Al Sabah, Vice-Chairman of the Board of Directors, who welcomed those in attendance. Prior to deliberation of the Agenda, the Chairman, as per Article 207 of the Commercial Companies Law of the Kingdom of Bahrain, asked the shareholders present if there were any additional issues that they wished to be introduced to the Agenda and if they had any objections to the pre-circulated Agenda of the said meeting.

The shareholders present confirmed their agreement with the Agenda and that there were no additional issues to be raised.

The meeting thereon deliberated on the pre circulated Agenda:

Agenda Item No. 1: ***Review and approval of the Minutes of the Annual General Meeting of Shareholders held on 26 March 2015***

The Minutes pre-circulated were deemed to be read. With no queries or clarifications sought, the said Minutes were approved and the following resolution as proposed by the Chairman was adopted.

“Resolved that the Minutes of the Ordinary General Meeting of shareholders held on 26 March 2015 be and are hereby approved.”

Agenda Item No. 2: ***Presentation and approval of the Report of the Board of Directors on the Bank’s business activities for the year ended 31 December 2015***

The Board of Directors' Report as presented was approved and the following resolution was unanimously passed.

“Resolved that the Report of the Board of Directors on the Bank’s business activities and performance for the year ended 31 December 2015 be and is hereby approved.”

Agenda Item No. 3: ***Presentation and approval of the Auditors’ Report for the year ended 31 December 2015***

The Auditors’ Report was read out by the External Auditors of the Bank – Ernst & Young – for the financial year ended 31 December 2015. With no queries or clarifications sought, the said Report was approved and the following resolution as proposed was adopted:

“Resolved that the External Auditor’s Report as presented for the fiscal year ended 31 December 2015 be and is hereby approved.”

Agenda Item No. 4: ***To discuss and approve the consolidated financial statements for the year ended 31 December 2015***

The audited financial statements of the Bank for the financial year ended 31 December 2015 as previously circulated were placed before the Shareholders, and the Chairman sought to know if any queries or clarifications were required. As no clarifications were sought, the Chairman proposed for these to be adopted. The Shareholders approved the financial statements of the Bank and the following resolution as proposed by the Chairman and seconded by Mr. Ritchie Skelding was adopted:

“Resolved that the Consolidated Statement of Financial Position and the Consolidated Statement of Income, of the Bank for year ended 31 December 2015 as audited by Ernst & Young and as presented by the Board of Directors be and is hereby approved and that copies of the said Consolidated Statement of Financial Position and the Consolidated Statement of Income, be filed in the records of this Annual Ordinary General Meeting.”

Agenda Item No. 5: ***To discuss and take on record the Board of Directors’ Report on Corporate Governance and compliance with the Central Bank of Bahrain’s requirements for the year 2015***

The Bank's Corporate Governance Report for the year 2015 as presented to the Shareholders, was approved and taken on record as presented.

The following resolution was thereafter unanimously adopted:

“Resolved that the Board of Directors’ Report on the Bank’s Compliance with the Corporate Governance and the Central Bank of Bahrain’s requirements be and is hereby taken on record.”

Agenda Item No. 6: *To approve the recommendation of the Board of Directors to allocate US\$5,000 for the sponsorship of socially responsible activities and donations to various charities during the financial year 2016.*

The Bank’s Board of Directors’ recommendation to allocate a sum of US\$5,000 for the sponsorship of socially responsible activities and donations to various charities during the financial year 2016 was approved and the following resolution passed:

“Resolved that US\$5,000 be and is hereby approved for sponsorships of socially responsible activities and for allocation to disbursements to various charities for the financial year 2016.”

Agenda Item No. 7: *To discharge Members of the Board of Directors’ from any liability in respect of the year ended 31 December, 2015*

Deliberating on this Agenda item, the Shareholders resolved to discharge the Board of Directors from full and total liability, for any action taken by them, for the financial year ended on 31 December 2015.

The following resolution was thereafter unanimously adopted:

“Resolved that full and total discharge from any liability be and is hereby granted to the Board of Directors’ who have served in the financial year, in respect of their duties, and any action taken by them, during the year ended 31 December 2015.”

Agenda Item No. 8: *Appointment of External Auditors for the year 2016 and authorize the Board of Directors to fix their remuneration*

The Shareholders were advised that the recommendation of the Board for the reappointment of Ernst & Young as Auditors of the Bank for FY2016 was approved by the Central Bank of Bahrain, subject to Shareholder approval. The Shareholders approved the reappointment of Ernst & Young as the External Auditors of the Bank for the financial year 2016 and recommended the Board of Directors to fix their remuneration.

Accordingly the Chairman proposed the following resolution which was adopted:


“Resolved that Ernst & Young, Bahrain be and are hereby appointed as the external auditors of Bahrain Middle East Bank B.S.C., for the year 2016 and that the Board of Directors’ be and is hereby authorized to fix their remuneration.”

Agenda Item No. 9:

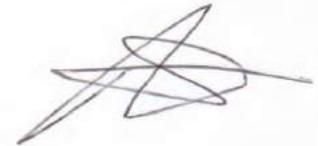
Any other matters that may arise – per Article 207 of the CCL of the Kingdom of Bahrain

No matters were raised by the Shareholders in attendance.

Conclusion: The Chairman of the Meeting expressed his gratitude to all present for taking the time to attend the proceedings and the Meeting was adjourned at 10:08 AM.



Sh. Abdulla Al Sabah
Chairman of the Meet
Vice Chairman of the Board of Directors



Ritchie Skelding
Chief Executive Officer

R E S O L U T I O N

“RESOLVED THAT the minutes of Ordinary General Meeting of Shareholders held on 27 March 2016, be and is hereby approved.”

AGENDA ITEM 2:

Report of the Board of Directors

On behalf of the Board of Directors, I place before you the Board of Director's Report on the Bank's performance for the financial year ended 31 December 2016:

- * BMB's business was stable in 2016 and the Bank remains in a sound financial position.
- * During 2016 BMB continued to focus on risk management and on strengthening controls in all areas of the business.
- * The global political and economic outlook for 2017 and beyond remains uncertain as a result of which BMB will again dedicate our resources to supporting our current clients and to maintaining our existing business base.

The key points of our financial results for 2016 are:

- * BMB's primary emphasis was on short-term low yielding, low risk assets. BMB concentrated on serving its existing customers rather than on growing its business base, a conservative approach.
- * As a result, interest income during 2016 was US\$ 10.70 million, a reduction of 6.3% from US\$ 11.41 million in 2015. Investment banking income in 2016 was US\$ 1.15 million (2015: US\$ 2.17 million) reflecting the reduction in new business taken on during the year. These factors led to an 11.2% reduction in Total Operating Income for 2016 to US\$ 11.16 million (2015: US\$ 12.57 million). Total Operating Expenses during 2016 rose by 3.3% to US\$ 5.67 million (2015: US\$ 5.49 million). Net Profit before Impairments in 2016 was US\$ 5.49 million (2015: US\$ 7.08 million). Impairment Provisions in 2016 were US\$ 0.41 million (2015: US\$ 2.00 million).
- * The above factors resulted in Net Profit for the year remaining flat at US\$ 5.07 million (2015: US\$ 5.08 million). This represents earnings per share of 2.10 cents per share, which was unchanged from 2015.
- * Total Assets stood at US\$ 177.35 million on 31 December 2016. Loans and Advances at year end 2016, totalled US\$ 123.96 million. Return on Assets for 2016 was 2.9% which is unchanged from 2015.
- * The Bank continues to focus on maintaining a sound liquidity position. As at 31 December 2016, Balances with Banks and Financial Institutions totalled US\$ 40.38 million (2015: US\$ 28.37 million), and Placements with Financial Institutions stood at US\$ 4.21 million (2015: US\$ 19.99 million). In addition the Bank had US\$ 108.19 million of Loans and Advances which mature within 180 days (2015: US\$ 105.12 million) which also form part of BMB's total liquidity.

- * Deposits from Financial Institutions fluctuated during 2016 but increased marginally at year end to US\$ 126.57 million (2015: US\$ 125.10 million), while Deposits from customers reduced slightly to US\$ 8.41 million at 31 December 2016 from US\$ 8.73 million a year earlier.
- * BMB remains debt free.
- * The Bank's Basel III Capital Adequacy Ratio at 31 December 2016 stood at 23.8% compared with 22.5% at 31 December 2015, remaining well in excess of Central Bank of Bahrain minimum requirement of 12.5%.
- * Total Equity at 31 December 2016 stood at US\$ 39.94 million, an increase of 13.3% over the US\$ 35.26 million reported at 31 December 2015. Return on Average Ordinary Shareholders Equity for 2016 was 13.5% compared with 15.3% in 2015.
- * BMB continues to focus on enhancing its compliance and risk management capability. During 2016, regulators have started to release information on forthcoming standards to be adopted such as IFRS-9 Financial Instruments, Common Reporting Standards and Value Added Tax. BMB has taken the initial steps required for a smooth adoption of these standards. In 2017, Basel III Liquidity Coverage Ratios, Net Stable Funding Ratios and Leverage Ratios are expected to be finalized and enforced.

BMB performed consistently in 2016 in a challenging business environment and enters 2017 on a sound financial footing. The primary objective of the Board of Directors and management during 2017 will continue to be to protect shareholder value and to take such actions as are necessary to achieve this.

We would like to thank our stakeholders, employees, regulators and business partners for their continued support.



Wilson Benjamin
Chairman of the Board of Directors

R E S O L U T I O N

“RESOLVED THAT the Report of the Board of Directors on the Bank's business activities and performance for the year ended 31 December, 2016 be and is hereby approved.”



AGENDA ITEM No. 3:

Presentation of the Auditors' Report

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BAHRAIN MIDDLE EAST BANK B.S.C.**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Middle East Bank B.S.C. ("the Bank") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<p>1. Impairment of carrying value of loans and advances <i>Refer to note 6 to the consolidated financial statements</i></p>	
<p>The Directors exercise significant judgment using subjective assumptions when determining both the timing and the amounts of the impairment provision of loans and advances. Because loans and advances form major portion of the Group’s assets and due to the significance of judgment used in estimating both the specific and collective provisions of loans and advances, this audit area is considered a key audit risk. As at 31 December 2016, the gross loans and advances amounted to USD 125.4 million and related impairment provision amounted to USD 1.4 million. The basis of the impairment provision policy is presented in the accounting policies and in note 4 to the financial statements.</p>	<p>We have performed test of controls over the loans and advances related processes to confirm the operating effectiveness of the key controls in place which identify the impaired loans and advances against which provisions are required.</p> <p>We tested a sample of loans and advances to assess whether an event of impairment has been identified on a timely basis by performing substantive audit procedures. We evaluated the reasonableness of the underlying data and assumptions used by management in determining the provisions.</p> <p>For the collective impairment provision, we obtained an understanding of the methodology used by the management to determine the collective provisions, assessed the underlying assumptions and the sufficiency of the data used by management.</p> <p>We also assessed whether the financial statement disclosures appropriately reflect the requirements of IFRS.</p> <p>Refer to the critical accounting estimates and judgements, disclosures of loans and advances and financial risk management on notes 4, note 6 and note 25 to the consolidated financial statements.</p>
<p>2. Maturity of deposits from financial institution <i>Refer to note 9 and note 25 to the consolidated financial statements</i></p>	
<p>Key audit matter / risk</p>	<p>How the key audit matter was addressed in the audit</p>
<p>The Bank has deposits of US\$ 126.5 million from a single financial institution in the region since</p>	<p>We have circularised deposits confirmations to the financial institution to check the completeness</p>

<p>September 2010, with a monthly maturity and rollover. Because these deposits represent 92% of the total liabilities of the Group, this audit area is considered a key audit risk.</p>	<p>and existence of the balances.</p> <p>We have assessed the management's liquidity projections, challenged the assumptions and the input from their past experience used in the assumptions, further we have verified the deal tickets to check the maturities of the deposits to see if these are rolled over on maturities. We also checked the rollover of these deposits subsequent to 31 December 2016 and before 31 January 2017.</p>
	<p>We also assessed whether the financial statements disclosures appropriately reflect the requirements of IFRS. Refer to note 9 and 25 to the consolidated financial statements.</p>

Other information included in the Group's 2016 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain ("the CBB") Rule Book, we report that:

- a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements;
- c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and the CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2016 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position; and
- d) satisfactory explanations and information have been provided to us by Management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is Nader Rahimi.

Sd/-

Partner's registration no. 121

31 January 2017
Manama, Kingdom of Bahrain

R E S O L U T I O N

"RESOLVED THAT the external auditor's report as presented for the fiscal year ended 31 December 2016 be and is hereby approved."

AGENDA ITEM No. 4:

Approval of the Consolidated Financial Statements

R E S O L U T I O N

“**RESOLVED THAT** the Consolidated Statement of Financial Position and the Consolidated Statement of Income, of the Bank for the year ended 31 December 2016, as audited by Ernst & Young and as presented by the Board of Directors be and is hereby approved and that copies of the said Consolidated Statement of Financial Position and the Consolidated Statement of Income, be filed in the records of this Annual Ordinary General Meeting.”

AGENDA ITEM No. 5:

Board of Directors’ Report on Corporate Governance and Compliance

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%

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.

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.

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
Sh. 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	✓	✓	✓	✓

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.

4.7.2 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.

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.

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	Vari-able	Fixed	Vari-able	Fixed	Vari-able	Fixed	Vari-able	Fixed	Vari-able
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

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.

12. 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.

13. 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.

14. 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)	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.	Being a 'controlled company', Chairman is an Executive Director, being representative of a controller.
And HC-1.4.8	The Chairman must not be an Executive Director.	

We place before you the Board of Directors' Report on the summarized Evaluation of Performance of the Board, each of its Committees, the performance of each of its Directors and the Board of Directors' Report on the Conflict of Interest for Financial Year 2016.

The Bank will furnish a full Corporate Governance Report in its Annual Report of 2016, which will also be made available on the Bank's website, before the end of April 2017. Should any of you wish to review any particular compliance detail related to this Code, documents are available at the Bank's Head office, at BMB Centre, Penthouse, Diplomatic Area, Kingdom of Bahrain.

We thank you for your continued support.



Mr. Wilson S. Benjamin
Chairman of the Board of Directors

Kingdom of Bahrain
16 February 2017

**Report to shareholders on Annual Evaluation of the Board, each of the Board
Committees and Directors for the year 2016**

To
The Shareholders
Bahrain Middle East Bank B.S.C
Manama
Kingdom of Bahrain

We, the Board of Directors' of Bahrain Middle East Bank, have conducted annual evaluation of the performance of the Board, each of the Board Committees and individual Directors for the year 2016 and the summary of findings of the evaluations are reported below:

1) Performance evaluation of the Board

The annual performance evaluation of the Board for the year 2016 was conducted through a structured questionnaire handed out to each of the board member soliciting their individual self-evaluation of the Board's performance in the light of all its roles, responsibilities and structure etc. laid down in the High Level Controls Module, HC 1, of Central Bank of Bahrain.

All the current Board members have submitted their individual self-evaluations of the Board opining that the overall performance of the Board is highly satisfactory.

The Board also reviewed its current composition against its desired composition with a view to maintain an appropriate balance of skills and experience and planned and progressive refreshing of the board.

The Board has concluded that the current composition and skills of the Board and its members is quite satisfactory and there is no need for any changes in the board structure and hence does not recommend any new directors or replacing of existing directors.

2) Performance evaluation of the Executive Committee of the Board

The annual performance evaluation of the Executive Committee of the Board (EXCO) for the year 2016 was conducted through a structured questionnaire handed out to each of its members soliciting their individual self-evaluation of EXCO's performance in the light of its specific purpose and responsibilities.

All the current EXCO members have submitted their individual self-evaluation of the EXCO opining that the overall performance of the EXCO is highly satisfactory.

The Board has evaluated the performance of EXCO in conjunction with EXCO's self-evaluation and found that its performance against its specific purpose and responsibilities is "Very Good".

3) Performance evaluation of the Audit Committee of the Board

The annual performance evaluation of the Audit Committee of the Board (AC) for the year 2016 was conducted through a structured questionnaire handed out to each of its members soliciting their individual self-evaluation of AC's performance in the light of its specific purpose and responsibilities.

All the AC members have submitted their individual self-evaluation of the AC opining that the overall performance of the AC is highly satisfactory.

The Board has evaluated the performance of AC in conjunction with AC's self-evaluation and found that its performance against its specific purpose and responsibilities is "Very Good".

4) Performance evaluation of the Corporate Governance Committee of the Board

The annual performance evaluation of the Corporate Governance Committee of the Board (CGC) for the year 2016 was conducted through a structured questionnaire handed out to each of its members soliciting their individual self-evaluation of CGC's performance in the light of its specific purpose and responsibilities.

All the CGC members have submitted their individual self-evaluations of the CGC opining that the overall performance of the CGC is highly satisfactory.

The Board has evaluated the performance of CGC in conjunction with CGC's self-evaluation and found that its performance against its specific purpose and responsibilities is "Very Good".

5) Performance evaluation of the Nominating and Remuneration Committee of the Board

BMB, with the prior approval of the Central Bank of Bahrain has merged the Nominating Committee and the Remuneration Committee into a single Nominating and Remuneration Committee.

The annual performance evaluation of the Nominating and Remuneration Committee of the Board ("NRC") for the year 2016 was conducted through a structured questionnaire handed out to each of its members soliciting their individual self-evaluation of NRC's performance in the light of its specific purpose and responsibilities.

All the NRC members have submitted their individual self-evaluations of the NRC opining that the overall performance of the NRC is highly satisfactory.

The Board has evaluated the performance of NRC in conjunction with NRC's self-evaluation and found that its performance against its specific purpose and responsibilities is "Very Good".

6) Performance evaluation of the individual Director on the Board

The annual performance evaluation of following Directors who served on the Board of BMB for the full year of 2016 was conducted through a structured questionnaire handed out to each Director soliciting their individual self-evaluations in the light of their roles and responsibilities as Board members:

- 1) Mr. Wilson S. Benjamin - Director and Chairman of the Board
- 2) Sheikh Abdullah Ali Al Sabah - Director, Vice Chairman of the Board and Chairman of EXCO
- 3) Mr. Ebrahim Bu Hendi - Director and Chairman of the Audit and Corporate Governance Committees
- 4) Dr. Awadh Al Enezie - Director and Chairman of Nominating and Remuneration Committee
- 5) Mr. Karunaker Nampalli - Director
- 6) Mr. Jawad Nasser - Director
- 7) Mr. John Abraham - Director
- 8) Mr. Salim Ali - Director

All the Directors have submitted their individual self-evaluations.

The Board has evaluated the performance of individual directors in conjunction with their self-evaluations especially their working, attendance at board and committee meetings, their constructive discussions and decision making and found that all the Directors have performed very well and made constructive contribution to working of the Board. Hence the Board is not recommending any changes to the board memberships.

For and on Behalf of the Board of Directors of BMB



Wilson S. Benjamin
Chairman of the Board of Directors

Kingdom of Bahrain
16 February 2017

Report to shareholders on Conflicts of Interest for the year 2016

To

The Shareholders

Bahrain Middle East Bank B.S.C

Manama

Kingdom of Bahrain

We, the Board of Directors of Bahrain Middle East Bank, are pleased to submit following report to the Shareholders regarding conflicts of interest in compliance with Corporate Governance Code and Central Bank of Bahrain's Rule Book (High Level Controls Module, Para HC-2.5.1)

1. The Board has established and disseminated among its members and management appropriate policies and procedures for identification, reporting, disclosure, prevention or strict limitation of potential conflicts of interest.
2. The Board has established formal procedures for periodic disclosure and updating of information by each approved person on his actual and potential conflicts of interest and obtained written undertakings from all approved persons in that regard for the year 2016.
3. During the year 2016, there was one abstention by some board members from voting motivated by a conflict of interest while approving restructure of a loan guaranteed by one of the major shareholder and accepting a payment in kind.
4. During the year 2016, the Board has not authorized any conflicted transaction or contract.

For and on Behalf of the Board of Directors of BMB



Wilson S. Benjamin
Chairman of the Board of Directors

Kingdom of Bahrain
16 February 2017

R E S O L U T I O N

“RESOLVED THAT the Report of the Board of Directors’ on the Bank’s compliance to Corporate Governance requirements be and is hereby taken on record.”

AGENDA ITEM No.6:

Donation Allocation for the year 2017

Explanation:

The management under the purview of the Board sponsors socially responsible activities and donates to regulated charitable work within the Kingdom of Bahrain. The Board of Directors at its meeting held on 31 January 2017 recommended for such sponsorships and donations in financial year 2017 an allocation of US\$ 5,000.

The Shareholders are requested to approve this allocation, and to authorize the management for such disbursement under the purview of the Board of Directors.

R E S O L U T I O N

“RESOLVED THAT US\$ 5,000 be and is hereby approved for allocation to disbursements to various charities in the Kingdom of Bahrain for the financial year 2017.”

AGENDA ITEM No. 7:

Discharge of Members of the Board of Directors’

R E S O L U T I O N

“RESOLVED THAT full and total discharge from any liability be and is hereby granted to the Board of Directors’ who have served the full financial year, in respect of their duties, and any action taken by them, during the year ended 31 December 2016.”

AGENDA ITEM No. 8:

Election of the Board of Directors' for a three year term subject to Central Bank of Bahrain approval

Explanation:

The current term of the Board of Directors' of the Bank expires on 31 March 2017. Election of members to the Board of the Bank is required for the next term of three years, commencing from 1 April 2017.

The current Board Members - 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 and Mr. Yohannan Abraham have stated their willingness to seek election for another term. Their candidature has been duly reviewed by the Nomination Committee. The Chairman of the Board of the Bank has also duly evaluated their performance and contribution to the Bank for the past three year period. Both the Nomination Committee and the Chairman of the Board have not received any other candidatures to be considered for election.

They hereby recommend to the Shareholders their election, subject to the approval of the Central Bank of Bahrain, for another term of three years – 1 April 2017 to 31 March 2020. The election will be undertaken through a show of hands.

R E S O L U T I O N

“RESOLVED THAT subject to the approval of the Central Bank of Bahrain, the following Members be and are hereby elected to the Board of the Bank for a three year term from 1st April, 2017 to 31st March, 2020:

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

The elected members at the Board meeting following this AGM will accordingly elect or nominate members to the various Committees of the Board and will elect the Chairman and Vice-Chairman of the Board.”

AGENDA ITEM No. 9:

Appointment of the Auditors for the year 2017

Explanation:

Ernst & Young were approved to be the External Auditors of the Bank for financial year 2016. They have conveyed their willingness to continue as External Auditors of the Bank for the year 2017. The Board of Directors’ recommends their reappointment for the Financial Year 2017.

The Shareholders are requested to approve the appointment of Ernst & Young as the External Auditors of the Bank for the year 2017, subject to the approval of the Central Bank of Bahrain, and to authorize the Board of Directors to fix their remuneration.

R E S O L U T I O N

“**RESOLVED THAT** Ernst & Young, Bahrain be and are hereby appointed as the External Auditors of Bahrain Middle East Bank B.S.C., for the year 2017 and that the Board of Directors be and is hereby authorized to fix their remuneration.”
