



CORPORATE GOVERNANCE DISCLOSURES

AS OF 31 DECEMBER 2017

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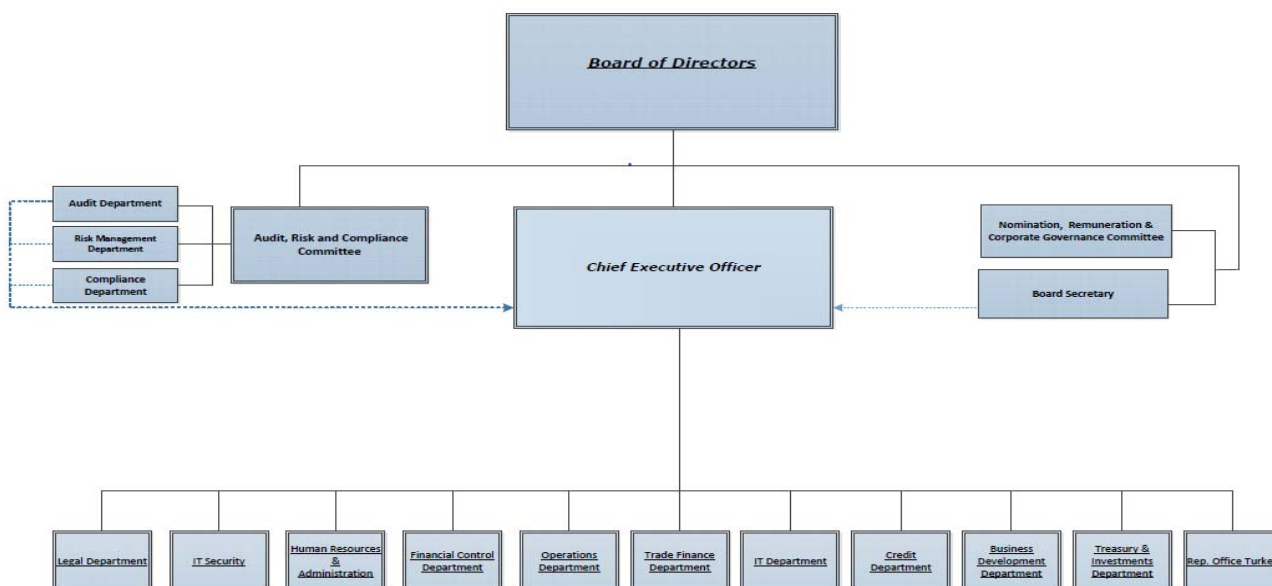
1. ALUBAF'S CORPORATE GOVERNANCE PHILOSOPHY

ALUBAF Arab International Bank B.S.C. (c) (the "Bank") is a closed Bahraini joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration (CR) number 12819. The Bank operates under a wholesale banking license issued by the Central Bank of Bahrain (the "CBB").

As a Wholesale commercial bank, Alubaf's corporate governance framework is based on the guidelines of the Corporate Governance Code as introduced by the Ministry of Industry, Commerce and Tourism ("MOICT"), the Commercial Companies Law and its Implementation Regulations ("CCL") and the regulations of the Central Bank of Bahrain ("CBB") as specified in Volume 1 of its Rulebook - High Level Controls (Module HC).

ALUBAF Arab International Bank B.S.C.(C) ("Bank") is fully committed to meeting its strategic objectives and achieving solid growth while upholding the highest standards of corporate governance. Such commitment is deeply rooted in its dedication to enhancing its compliance with all the applicable laws, regulations and best industry practices to the ultimate benefit of its shareholders, clients, employees and other stakeholders.

2. ORGANIZATION STRUCTURE:



- The separation of the combined departments undertaking Risk Management and Compliance functions into two separate ones was effective from June 2017
- The Bank's Internal Audit function is independent from the aforementioned functions and reports directly to the ARCC. This department sets out to examine the adequacy and effectiveness of the internal control systems, procedures and to identify areas of deficiency and/or recommend enhancements or corrective measures. The said department reports its findings to the ARCC in accordance with the Board approved Audit Plan.

To carry out their duties both efficiently and effectively, the Internal Audit and Compliance functions have the following privileges and authorities:

- To communicate (at any time and on their own initiative) with any staff member and obtain any records or files necessary to enable them to carry out their responsibilities;
- A direct line of communication with the CBB, regulatory authorities and the ARCC; and
- Authority and resources (including engaging external specialists) to initiate and carry out or investigate possible breaches of laws and regulations and plan corrective actions, where necessary.

The Bank also has a Money Laundering Reporting Officer ("MLRO") in accordance with the regulatory requirements. The MLRO reports directly to the ARCC.

All departments and functions indicated on the approved Organizational Chart reporting to the CEO.

3. CG'S FRAMEWORK

ALUBAF Arab international Bank has an effective, disciplined and transparent management framework developed on strict adherence to corporate governance principles and statutes of its regulator Central Bank of Bahrain. The Board of Directors is responsible for strategic plans, policies and supervision of business performance/operations, overseeing the functions of executive management and ensures to conduct meetings at least four times annually. At the next level, is the executive management team, which is committed in the daily execution of business in compliance with approved policies, plans and regulatory requirements. The bank's external auditors Ernst & Young, conduct final audit and other statutory reviews on AML and quarterly on financials, prudential information reporting and public disclosure to ensure compliance with regulatory requirements."

4. PROFILE AND OWNERSHIP STRUCTURE OF THE BANK

NAME	NATIONALITY	NO. OF SHARES	NOMINAL VALUE (USD)	%
LIBYAN FOREIGN BANK	LIBYAN	4,975,008	248,750,400	99.50
National Bank of Yemen	YEMENI	13,768	688,400	0.28
Yemen Bank for Reconstructions and Development	YEMENI	11,224	561,200	0.22

As part of disclosure requirements indicated in HC module issued by the CBB, Alubaf presents the following facts:

The Bank's authorized share capital is USD 500,000,000 (United States Dollars five hundred million) divided into 10,000,000 (ten million) shares of USD 50 (United States Dollars fifty) nominal value per share. The Bank's issued and paid up capital is USD 250,000,000 (United States Dollars two hundred and fifty million) divided into 5,000,000 (five million) shares of USD 50 (United States Dollars fifty) nominal value per share.

- *Distribution of Shareholding according to Nationality as of 31 December 2017 is as follows:*

NATIONALITY	NO. OF SHARES	NOMINAL VALUE (USD)	%
LIBYAN	4,975,008	248,750,400	99.50
YEMENI	24,992	1,249,600	0.50

- *Distribution of ownership according to the percentage of Shareholding :*

NATIONALITY	NO. OF SHARES	NOMINAL VALUE (USD)	%
LIBYAN	4,975,008	248,750,400	99.50
YEMENI	13,768	688,400	0.28
YEMENI	11,224	561,200	0.22

* The is based Bank.

abovementioned shareholding structure on the issued and paid up capital of the

As of 31st December 2017, Libyan Foreign Bank (LFB) owns more than 5% or above of Alubaf's total outstanding shares.

As of 31 December 2017, the Bank's Directors and the Senior Management do not own any shares in the Bank on an individual basis.

5. BOARD OF DIRECTORS

5.1 COMPOSITION OF THE BOARD

As per the Bank's Articles of Association, the Bank shall be administered by a Board of Directors comprising of at least three (3) directors and not more than nine (9) directors ("**Directors**"). As of 31 December 2017, the total number of Directors is five (5). The Board of Directors also elects by secret ballot from its Directors a chairman ("**Chairman**"), and a deputy chairman ("**Deputy Chairman**") for its tenure.

In accordance with HC 1.5.2 of the CBB Rulebook, in conventional bank licensees with a controller, at least one third of the Board of Directors must be independent.

In compliance with HC 1.4.8 , the Chairman is not an executive director Furthermore, the CBB Rulebook and Corporate Governance Code also require that the Chairman of the Board of Directors must be an independent Director. The Bank's Chairman, Mr. Moraja Gaith Solaiman Buhlaiga, complies with this requirement.

As of 31 December 2017, the Bank is in compliance with the aforementioned independence requirements with the following being its composition:

STATUS/CATEGORY	No. of directors	%
Non-Independent / Non-Executive	1	20
Independent / Non-Executive	4	80
TOTAL	5	100

For the financial year ending 31 December 2017, the Bank's Board of Directors was as follows:

Name	Position	Status	Nationality
Mr. Moraja Gaith Solaiman Buhlaiga	Chairman	Independent / Non-Executive	Libyan
Mr. Talal Al Zain	Director	Independent / Non-Executive	Bahraini
Mr. Guima Masaud Salem Kordi	Director	Non-Independent / Non-Executive	Libyan
Mr. Achour Abboud	Director	Independent / Non-Executive	Algerian
Mr. Anthony Constantine Mallis *	Director	Independent / Non-Executive	Australian

* *Mr. Anthony Constantine Mallis membership was appointed by Libyan Foreign Bank, and his First Board Meeting: No. 130 (3/2017) – 9 July 2017. He was approved by the Central Bank of Bahrain on 11 June 2017.*

The majority of the Board's members are independent. To ensure the independency of the members, as per HC-1.4, Every director must bring independent judgment to bear in decision-making. No individual or group of directors must dominate the board's decision-making and no one individual should have unfettered powers of decision. The members should also ensure that their membership of the Board of Directors is not in conflict with any of their other interests. Where there is the potential for conflict of interest, or there is a need for impartiality, the Board must assign a sufficient number of independent Board members capable of exercising independent judgement.

The full profiles and the Bank's Directors, information on other posts that they hold and their biographies are available in the Annual Report and the website www.alubafbank.com.

The Board of Directors is supported by its Board Secretary, who provides it with professional and administrative support. The Board Secretary also acts as secretary for the Board of Director's committees and the General Assemblies. The appointment of the Board Secretary is subject to approval of the Board of Directors.

5.2 APPOINTMENT/TERMINATION OF THE BOARD OF DIRECTORS

The appointment of Directors is subject to obtaining the prior written approval of the CBB and comply at all times with the CCL and the CBB regulations. The Board of Directors is appointed for a term of three (3) years by the Annual General Assembly, such term being capable of renewal. Appointments of Directors are also subject to Article 175 of the CCL for shareholders holding 10% of the share capital or more having the right to appoint representatives on the Board in proportion to the number of members on the Board. The current term of the Board of Directors started in April 2016 and will end in April 2019.

The Directors are generally required to adhere to the Bank's Articles of Association, CCL, the Corporate Governance Code, CBB Rulebook, Code of Ethics and Conduct and all applicable laws and regulations. The Bank has written appointment agreements with each Director, which set out the Directors' roles, duties, responsibilities, accountabilities, in addition to other aspects relating to their appointment such as term, the time commitment required, the committee assignments (if any), their remuneration and expense reimbursement entitlement and access to independent professional advice, as and when required.

The Board ensures that each new appointed Director receives all information to strengthen and support his contribution from the commencement of his term, via meetings with senior management, presentations regarding the Bank's strategic plans, significant financial, accounting frameworks, risk management issues, compliance programs, in addition to access to its internal and external auditors and legal counsel.

The Bank's Articles of Association, which incorporate the relevant CCL provisions, and the Board of Directors' Charter list all the grounds for termination of membership of the Board of Directors. The General Assembly, via majority vote, has the authority to terminate the membership of some or all of the Board of Directors. This is without prejudice to the rights of shareholders qualifying under Article 175 of the CCL to terminate the appointment of any Director they appointed in accordance with the aforementioned Article. Terminations without proper justification or cause may entitle the Director to seek compensation from the Bank.

5.3 RESPONSIBILITIES OF THE BOARD

The Board of Directors' role and responsibilities, include but are not limited to, the following:

- Establishing the objectives of the Bank;
- Determining the overall business performance, plans and strategy of the Bank;
- Monitoring management performance and their implementation of strategic decisions;
- Convene and prepare the agenda for the shareholder meetings;
- Monitoring conflict of interest and preventing abusive related party transactions;
- Adoption and annual review of strategy;
- Annual approval of budget and monitoring management performance in relation to the same thereof;
- Adoption and review of management structure and responsibilities;
- Adoption and review of the systems and controls framework;
- Causing financial statements to be prepared which accurately disclose the Bank's financial position; and
- Setting the 'tone at the top' of the Bank and overseeing compliance with various laws and regulations, including but not limited to, CBB laws and regulations, CCL, Corporate Governance Code, Labor Law and other applicable laws and regulations.

Further details of the roles and responsibilities of the Board of Directors are set out in the Board Charter and Articles of Association. These roles and responsibilities are in line with the regulatory requirements contained in the Corporate Governance Code.

5.4 MEETINGS OF THE BOARD OF DIRECTOR DURING THE YEAR 2017

In accordance with HC-1.3 of Volume 1 of the CBB Rulebook, the Board must meet frequently but in no event less than four (4) times a year. The Bank's Board of Directors has exceeded this requirement by meeting six (6) times in the financial year ending 31 December 2017. All Directors have complied with the requirement to attend at least 75% of all Board meetings convened in a given financial year.

Dates of Board meetings held during the fiscal year 2017, as follows:

DIRECTOR	DATE OF FIRST APPOINTMENT (AGM APPROVAL)	FIRST BOARD MEETING	DATE OF RESIGNATION	1/2017 26 FEB 2017	2/2017 23 APR 2017	3/2017 9 JUL 2017	4/2017 22 SEP 2017	5/2017 19 NOV 2017	6/2017 21 DEC 2017
Moraja Gaith Solaiman Buhlaiga	21 Apr 2013	29 Jan 2013	N/A	✓	✓	✓	✓	✓	✓
Talal Al Zain	12 April 2015	14 April 2015	N/A	✓*	×	✓	✓	✓	✓*
Giuma Masaud Salem Kordi	19 April 2016	21 August 2015	N/A	✓	✓	✓	✓	✓	✓
Achour Abboud	18 June 2017	6 October 2016	N/A	✓	✓	✓	✓	✓	✓
Anthony Mallis	18 June 2017	9 July 2017	N/A	✓	✓	✓	✓	✓	✓

* participated by phone / video link

6. BOARD COMMITTEES

In accordance with the Bank's constitutional documents, charters and the requirements set forth by the Corporate Governance Code and CBB regulations, the Board of Directors has delegated specific responsibilities to a number of Board committees (each a "Committee" and collectively, the "Committees"). Each Committee has its own formal written charter that sets out the roles and responsibilities of its members. The main Committees are as follows:

- Executive Committee ("EXCOM");
- Audit, Risk and Compliance Committee ("ARCC"); and
- Nomination, Remuneration and Corporate Governance Committee ("NRCGC").

6.1 EXECUTIVE COMMITTEE (EXCOM)

6.1.1 COMPOSITION

As of 31 December 2017, the composition of the EXCOM is as follows:

Member Name	Member Position	Status
Mr. Talal Al Zain	Director	Independent / Non-Executive
Mr. Giuma Masaud Salem Kordi	Director	Non-Independent / Non-Executive
Mr. Achour Abboud	Director	Independent / Non-Executive

6.1.2 RESPONSIBILITIES

The EXCOM is required to exercise the powers and duties of the Board in interim periods between convening regular Board meetings either via physical meetings or circulation, as the case may be. The EXCOM may also act on behalf of the Board of Directors on matters requiring action yet falling beyond the Management's authorities. The full roles and responsibilities are contained within the EXCOM Charter.

6.1.3 MEETINGS

The EXCOM Charter stipulates that it shall meet at least four (4) times a year. There were no meetings convened as of 31 December 2017 as the committee has been dissolved by Board Resolution (10/2017) on 23rd April 2017.

6.2 AUDIT, RISK AND COMPLIANCE COMMITTEE (ARCC)

6.2.1 COMPOSITION

As of 31 December 2017, the composition of the ARCC is as follows:

Member Name	Member Position	Status
Mr. Talal Al Zain	Chairman	Independent / Non-Executive
Mr. Giuma Masaud Salem Kordi	Director	Non-Independent / Non-Executive
Mr. Anthony Mallis *	Director	Independent / Non-Executive

* Mr. Anthony Mallis was appointed on ARCC on 9th July 2017.

6.2.2 RESPONSIBILITIES

The mandate of ARCC requires it, among other things, to:

- Assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, auditing and financial reporting practices;
- Assist the Board in its oversight of the integrity and reporting of the Bank's quarterly and annual financial statements;
- Review the performance and approve activities, staffing and organizational structure of the internal audit function;
- Oversee the independence and performance of the external auditors as well as recommending the appointment, replacement and compensation of external auditors;
- Review the adequacy and effectiveness of the Bank's system of financial, accounting and risk management controls and practices;
- Oversee the Bank's compliance with laws, regulations and supervisory and internal policies;
- Regularly report to the Board about the committee activities and related recommendations and review any reports the Bank issues that relate to the committee responsibility;
- Maintaining oversight of the Bank's internal risk and capital management framework and systems and to review on an annual basis, the effectiveness of its systems;
- Articulating the Bank's risk tolerance against which to compare the amount of capital at risk on a forward-looking basis, as determined by exposures to credit, market, liquidity, operational, concentration, settlement, reputational and business cycle risks;
- Ensuring that senior management continues to take necessary steps to monitor and control the Bank's exposures through appropriate risk assessment and compliance to risk management policies;
- Approve risk management objectives, strategies, policies and procedures that are in line with the Bank's business lines, risk profile and risk appetite and in compatibility with the CBB rules and regulations and review them on annual bases. The Committee's approvals shall be communicated to those who are responsible for the implementation of risk management policies;
- Ensure that the Bank's risk management framework includes methodologies to effectively assess and manage credit, market, liquidity, operational, legal, profit or rate of return, and reputational risks;
- Ensure the existence of clear lines of authority and accountability for managing, monitoring and reporting risks as preformed internally and as required by CBB;
- Ensure that the risk management function has adequate resources and appropriate access to information to enable it to perform its duties effectively;
- Overseeing the compliance function of the Bank;
- The Committee will review the effectiveness of the system for monitoring financial and disclosure compliance with legal and regulatory requirements, and the compatibility with the CBB rules and regulations that will be reviewed on annual bases and the results of management's investigations and follow-up (including disciplinary action) of any fraudulent actions or non-compliance;
- The Committee will ensure that the compliance function is adequately resourced, independent of business lines and is run by individuals not involved in day-to-day running of the various business areas;

- The Committee will ensure controls are instituted to manage the Bank's financial reporting quality and integrity;
- The Committee will ensure that management develops, implements and oversees the effectiveness of comprehensive know your customer standards, as well as ongoing monitoring of accounts and transactions, in keeping with the requirements of relevant regulations and best practice; and
- Review the findings of any examinations by regulatory agencies.

6.2.3 MEETINGS

The ARCC Charter stipulates that it shall meet at least five (5) times a year. During 2017, the ARCC has complied with this requirement. The dates and attendance details of the ARCC meetings are as follows:

DIRECTOR	1/2017 24 Feb 2017	2/2017 22 Apr 2017	3/2017 8 Jul 2017	4/2017 29 Oct 2017	5/2017 18 Nov 2017
Talal Al Zain	✓	✓ *	✓	✓	✓
Guima Masaud Salem Kordi	✓	✓	✓	✓	✓
Achour Abboud**	✓	✓	✓	N/A	N/A
Mr. Anthony Mallis ***	N/A	N/A	N/A	✓	✓

* participated by phone / video link

** Mr. Achour Abboud was appointed on the ARCC on 6 October 2016 and has attended all ARCC meeting during 2017 until the re-constitution of the ARCC Committee in which he was ceased to be member and replaced by Mr. Anthony Mallis

***Mr. Anthony Mallis was appointed on ARCC on 9th July 2017 and attended first meeting of ARCC on 29th October 2017.

6.3 NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE (NRCGC)

6.3.1 COMPOSITION

As of 31 December 2017, the composition of the NRCGC is as follows:

Member Name	Member Position	Status
Mr. Moraja Gaith Solaiman Buhlaiga	Chairman	Independent / Non-Executive
Mr. Talal Al Zain	Director	Independent / Non-Executive
Mr. Achour Abboud	Director	Independent / Non-Executive

-The Committee was renamed to Nomination, Remuneration and Corporate Governance Committee on 26 February 2017

6.3.2 RESPONSIBILITIES

The mandate of NRCGC requires it, among other things, to:

- Nomination, appointment and board composition

- Ensure a formal and transparent board nomination process is in place.
- Before appointment is made by the board, evaluate the balance of skills, knowledge and experience on the board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the committee shall consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position. The committee shall also consider candidates from a wide range of backgrounds.
- Be responsible for identifying and nominating, for the approval of the board, candidates to fill board vacancies as and when they arise.
- Ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings.
- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the board compared to its current position and make recommendations to the board with regard to any changes.

- succession planning and evaluation

- Give full consideration to succession planning for directors (in particular the chairman and the CEO) and other senior management (such as the direct reports of the CEO). in the course of its work, take into account the challenges and opportunities facing the bank and identify the skills and expertise needed on the board in the future.
- Ensure effective policies and processes are in place for ensuring that executive management have the necessary integrity, technical and managerial competence and experience.
- Recommend to the board the number, identity and responsibilities of board committees and the chair and members of each committee. This shall include advising the board on committee appointments, removal from committees or from the board, rotation of committee members and chairs and committee structure and operations.

- performance review and assessment

- Ensure effective policies and processes are in place to keep under review the leadership needs of the bank, both executive and non-executive, with a view to ensuring the continued ability of the bank to compete effectively in the marketplace.
- Periodically review the time required from non-executive directors. performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- Report annually to the board with an assessment of the board's performance.
- Ensure effective policies and processes are in place for effective monitoring and making annual formal evaluations of senior management's performance in implementing agreed strategy and business plans.

- Monitor the orientation and continuing education programs for directors and based on it recommend to the board relevant training for the directors.
- Remuneration
The nomination and remuneration committee shall be responsible for the design, implementation and supervision of the remuneration policy. In particular, the NRCGC shall:
 - Design all the elements of remuneration including fixed salary, allowances, benefits and variable pay scheme for all levels of employees in the bank. in designing the remuneration policy, the NRCGC shall consider the core remuneration policy of the bank, the business strategy of the bank, the regulatory pronouncements of the central bank of Bahrain and the labour laws of the kingdom of bahrain;
 - obtain approval of the board of directors and subsequently the shareholders on the remuneration policy adopted by the bank;
 - ensure that the remuneration for non-executive directors does not include performance related elements such as grants of shares, share options or other deferred stock related incentive schemes, bonuses or pension benefits;
 - Ensure that the remuneration for officers is structured and that the employee's interest is aligned with the interests of the shareholders. These rewards include grants of shares, share options and other deferred stock related incentive schemes, bonuses and pension benefits which are not based on salary. if an officer is also a director, his remuneration as an officer should take into account, compensation received in his capacity as a director
 - approve the remuneration policy and remuneration for each approved person and material risk-taker;
 - approve targets and associated risk parameters, and variable pay for achieving the set target for each performance period;
 - approve total variable remuneration to be distributed, considering the total remuneration including salaries, fees, expenses, bonuses and other employee benefits at the end of the performance period based on the evaluation of actual performance as against the target for the performance period;
 - monitor and review the remuneration system on a regular basis to ensure the system operates as intended;
 - undertake stress testing of the variable pay on a periodic basis to ensure that the variable pay scheme does not affect the bank's solvency and risk profile, and its long term objectives and business goals;
 - undertake back testing to adjust for ex-post risk adjustments to the variable pay paid in earlier years and if required invoke claw back or malus;
 - recommend board member remuneration based on their attendance and performance and in compliance with article 188 of the company law;
 - determine the policy for, and scope of, pension arrangements for each executive director;
 - determine the policy for the disclosure of directors' remuneration; and
 - Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.

- policies and corporate governance
 - Review and assess the adequacy of the bank's policies and practices on corporate governance and recommend any proposed changes to the board for approval.
 - Review the adequacy of the charters adopted by each committee of the board, and recommend changes as necessary.
 - The board shall periodically assess and document, whether the corporate governance processes that it has implemented have successfully achieved their objectives and consequently confirm whether the board itself is fulfilling its own responsibilities.
 - The board shall also identify any material deficiencies and problems in the corporate governance processes and draw up action plans and timetables for their correction.
 - Develop appropriate criteria and make recommendations to the board regarding the independence of directors.

6.3.3 MEETINGS

The NRCGC charter stipulates that it shall meet at least twice (2) a year. During 2017, the NRCGC has complied with this requirement. The dates and attendance details of the NRCGC meetings are as follows:

DIRECTOR	1/2017 24 FEB 2017	2/2017 18 NOV 2017
Moraja Gaith Solaiman Buhlaiga	✓	✓
Talal Al Zain	✓	✓
Achour Abboud	✓	✓

7. BOARD ASSESSMENT AND EVALUATION

The Board and its Committees conduct annual assessments and evaluations on an annual basis. Each Director completes an overall Board assessment form, in addition to each Committee member completing a Committee assessment form. The NRCGC is responsible for reporting the results of the assessments to the Board for appropriate action, where and if required.

8. MANAGEMENT

8.1 SEGREGATION OF DUTIES BETWEEN BOARD OF DIRECTORS AND MANAGEMENT

In accordance with CBB regulations, the positions of the Chairman and Deputy Chairman are segregated from those of the Chief Executive Officer (“CEO”). Furthermore, there is a clear delineation of responsibilities between the aforementioned positions as defined in the Bank’s Articles of Association and Board Charters.

8.2 MANAGEMENT COMMITTEES

The Bank as of 31 December 2017 has five (5) main Management Committees to assist Management in the discharge of its duties and obligations. These Committees each have their own charters to which they adhere to. These Committees are established via Management Resolutions in accordance with the authorities delegated by the Board of Directors. The Board of Directors may recommend the establishment of certain types of Management Committees, as the case may be from time to time. The Board of Directors and/or Management may also establish temporary Committees to deal with specific objectives and dissolve these upon the full discharge of their respective tasks.

Details of the main Management Committees and their memberships as of 31 December 2017 are as follows:

Management Committees	Member Position	Committee Member Position
Asset and Liability Committee (ALCO)	Chief Executive Officer	Head
	Head of Financial Control	Member
	Head of Business Development	Member
	Head of Treasury & Investments	Member
	Head of Risk Management	Member
	Head of Operations	Representative
Management Risk Committee (MRC)	Chief Executive Officer	Head
	Head of Financial Control	Member
	Head of Business Development	Member
	Head of Operations	Member
	Head of Treasury & Investments	Member
	Head of Risk Management	Representative
Human Resource and Compensation Committee (HRCC)*	Chief Executive Officer	Head
	Head of Human Resources and Administration	Member
Credit Committee (CC)	Chief Executive Officer	Head
	Head of Business Development	Member
	Head of Risk Management	Member

Management Committees	Member Position	Committee Member Position
	Head of Financial Control	Member
	Head of Treasury & Investments	Member
Insurance Coverage Committee (ICC)	Head of Risk Management	Head
	Head of Financial Control	Member
	Head of Human Resources & Administration**	Member
Tariff and Commission Committee (TCC)	Chief Executive Officer	Head
	Head of Business Development	Member
	Head of Treasury & Investments	Member
	Head of Trade Finance	Member
	Head of Finance	Member
	Head of Operations	Member

*HRCC has been dissolved as per management resolution (02/2017) dated 16th January 2017

** Head of Human resources and Administration left the Bank on May 2017.

8.2.1 ASSET AND LIABILITY COMMITTEE (ALCO)

The mandate of the ALCO requires it, among other things, to:

- Actively manage the balance sheet;
- Effectively manage the Bank's liquidity requirements to meet business needs during normal conditions and during times of crisis;
- Monitor asset/liability maturity profile taking into account economic developments, fluctuations in asset values and benchmark reference rates;
- Manage foreign exchange risks;
- Within Board approved parameters, develop asset and liability management strategies, including liquidity strategies, and short and long-term funding and leverage strategies in general;
- Review the Bank's capital adequacy position and address capital management strategies from an ICAAP perspective;
- Review and monitor all aspects of liquidity policy including contingency planning and limits to ensure management of liquidity crisis;
- Review and approve or reject breaches of ALCO limits; and
- Review of reports submitted by Risk and Compliance Department.

8.2.2 MANAGEMENT RISK COMMITTEE (MRC)

The mandate of the MRC requires it, among other things, to:

- Determine key risk areas and adopt risk management practices that contribute to the Bank's objectives;
- Ensure actions required are given appropriate level of sponsorship and supported by adequate resources;
- Increase the awareness level of management and staff on business risks in the Bank;
- Review and recommend to the Board the risk tolerance of the Bank;
- Review the Bank's mitigation strategy for key risks;
- Review and recommend for approval the Bank's risk management framework;
- Review the capital adequacy of the Bank's capital from regulator's perspective;
- Review and assess the adequacy of the risk measurement methodologies;
- Review and assess various internal limits and make specific recommendations with respect to Economic Risk Capital, market risk limits, ALM limits, etc;
- Review other major risk concentration as deemed appropriate; and
- Approve Operational Risk framework and monitor the risk on ongoing basis.

8.2.3 HUMAN RESOURCES AND COMPENSATION COMMITTEE (HRCC)

The mandate of the HRCC requires it, among other things, to:

- Review regularly and recommend Bank's executive/staff development for senior management positions, including performance and skills evaluation, training and succession planning;
- Develop, review and recommend the Bank's executive/staff compensation;
- Determine the bonus and other incentive;
- Review matters relating to executive management succession and executive organization development;
- Manage the administration function of the Bank's; and
- Prepare periodic reports for the Board regarding the above items.

8.2.4 CREDIT COMMITTEE (CC)

The mandate of the CC requires it, among other things, to:

- Evaluate all new loan proposals;
- Appraise any new offered Treasury products;
- Assess all guarantee facilities;
- Report all approved LC refinance/ discount in appropriate format to management;
- Ensure that the credit portfolio does not exceed acceptable level of risk;
- Report all rejected deals of any type of facility with its valid justifications; and
- Review problematic credit exposure with expeditiously to minimize credit loss and maximize recoveries.

8.2.5 INSURANCE COVERAGE COMMITTEE (ICC)

The mandate of the IC requires it, among other things, to:

- Provide guidance and counsel on insurance related matters to the Bank's management;
- Review, assess and recommend a full "Bankers Blanket Bond Insurance" that covers all types of insurances;
- Review and evaluate the adequacy and suitability of the Bank's Insurance;
- Review and recommend proposals for staff's health insurance and life insurance with abroad coverage; and
- Review and evaluate insurance-related products and services that may be offered to the Bank, and make recommendations to the Bank's management as appropriate.

8.2.6 TARIFF AND COMMISSION COMMITTEE (TCC)

The mandate of the TCC requires it, among other things, to:

- Review the bank's tariffs and commissions;
- Set country pricing limit for LC refinance and discount;
- Review other applied charges by the bank; and
- Ensure the bank maintain completed terms and conditions.

9. MATERIALITY AND AUTHORITY LEVELS

The materiality level for transactions that require Board approval varies for different activities and is governed by pre-approved exposure levels delegated by the Board which are contained in various policy and procedure documents. Transactions exceeding the approval authorities granted to the CEO or CC must be approved by the Board.

10. RELATED PARTY TRANSACTIONS

In general, the Bank has proper credit due diligence procedure for all type of facilities or exposures. Related party transactions relating to Directors must be approved by the Board. Details of related party transactions are set out in Note 24 of the Financial Statements.

The Bank's major related party transactions are generally with its majority shareholder/controller and/or its affiliate companies. The Board of Directors ensures that all related party transactions are entered into on an arm's length basis and are to further the interests of the Bank.

11. CODE OF CONDUCT AND CONFLICT OF INTEREST

The Bank has adopted a Code of Conduct and Ethics (“**Code of Ethics and Conduct**”), in addition to other internal policies and guidelines, which are applicable to Directors, Management and other staff. These documents are designed to establish best practices and incorporate all regulatory and legal requirements governing the Bank’s operations for the aforementioned parties to follow in the fulfillment of their responsibilities and obligations towards the Bank’s stakeholders.

The Code of Conduct and Ethics contains rules on conduct, ethics and on avoiding conflicts of interest, and is applicable to all employees and Directors of the Bank. The Board approved Code of Conduct and Ethics is published on the Bank’s website.

The Bank requires its Directors and Approved Persons to issue an Annual Declaration of Conflict of Interest statement. Additionally, as per the Board Appointment Agreements, each Director has the responsibility to disclose any material interests relating to business transactions and agreements and the privilege of accessing to independent professional advise in this regard if required. During 2017, there were no materially significant transactions entered into that may have potential conflict of interest with the interest of the Bank and no disclosures in this regard were accordingly made.

The Bank has also set up a whistle-blowing framework to enhance good governance and transparency within the Bank. The Bank is committed in maintaining the highest possible standards of ethical and legal conduct while conducting its operations.

12. COMMUNICATIONS AND DISCLOSURE POLICY

In compliance with CBB regulations under PD Module of Volume 1 of CBB Rulebook, the Bank has a Board approved Public Disclosure Policy (“**Disclosure Policy**”) that governs the disclosure of material information relating to its activities to various stakeholders of the Bank.

The Disclosure Policy applies to all modes of communication to the public including written, oral and electronic communication. These disclosures are made on a timely basis and subject always to the requirements stipulated in the applicable laws and regulations. Disclosures include, but are not limited to, the following:

- Annual and quarterly results;
- Annual Report publication and filing;
- Basel II (Pillar 3) related disclosures;
- Chairman and/or Board of Director reports;
- Corporate governance disclosures;
- Shareholder communication, including invitations to General Assembly Meetings, proxy forms, agendas and supporting materials;
- Communication with regulatory authorities;
- Press releases, announcements and presentations; and
- Matters included on the Bank’s website.

The Bank maintains a website at www.alubafbank.com, which includes information of interest to various stakeholders, such as the Annual Reports and reviewed quarterly financials of the Bank, covering the minimum periods prescribed by the applicable regulations.

13. ANTI-MONEY LAUNDERING

The Bank's Anti-Money Laundering Policy (“**AML Policy**”) intends to ensure that the Bank has a comprehensive framework of policies and procedures including best practice standards for combating money laundering and terrorist financing. The policies and procedures are established to prevent the Bank's operational activities from being utilized by others for unlawful purposes.

The Bank's AML Policy prohibits and actively prevents money laundering, in addition to any activities that facilitate money laundering or funding of terrorist or criminal activities. This is accomplished by ensuring compliance with the AML laws and regulations of the jurisdiction in which it undertakes business activities and in accordance with its internal Compliance framework.

The Bank is committed to providing periodic training and information to ensure that all employees are aware of their responsibilities under the CBB and AML laws and regulations in the Kingdom of Bahrain. The Bank provides annual up to date AML training for its staff designed to cater to the Bank's activities and its differing types of customers and jurisdictions.

14. 2017 FINANCIAL YEAR COMPLIANCE WITH REGULATIONS

As per rule HC-A.1.8 and HC-8.2.1 (c) of the HC Module in Volume 1 of CBB Rulebook with reference to the disclosure of the non-compliance events “Comply or Explain Principle”, which stipulates the need to set out the instances of non-compliance and provide clarification on the same, the Bank wishes to clarify the following:

- The Board and senior management has completed the training required under TC-1.2.1 except for one senior management. Nonetheless, the Bank is taking necessary measures to comply with this requirement for the upcoming financial year;
- Due to the limited number of Directors on the Board, the Bank is not in compliance with HC-5.3.1A which requires that members of the Remuneration Committee must have independence of any risk taking function or committees. There is currently One (1) member on the ARCC that hold position in the NRCGC as well. The Bank is looking at taking the necessary actions to address this non-compliance at the earliest.

Central Bank of Bahrain (CBB) Penalty Disclosure: As per rule PD-1.3.37, the bank is in compliance with CBB rules and regulation and did not pay any penalties during 2017.

15. REMUNERATION OF EXTERNAL AUDITORS

In 2017, the Bank has paid its external auditors, Messers Ernst & Young, a total of USD 351,000 for audit and other audit related services fees. These services include year-end audit, prudential information return reviews, quarterly reviews, anti-money laundering review, sound remuneration reviews, public disclosures reviews and IFRS 9 impact assessments. Messers Ernst & Young have expressed their willingness to continue as the auditors of the Bank for the financial year ending 31 December 2017. The ARCC has recommended the appointment of Ernst & Young and a resolution proposing their re-appointment will be presented at the Annual General Assembly meeting, which will be held in 8 April 2018.

The breakdown of audit and other non-audit related services fee paid to the external auditor is as follows:

TYPE OF SERVICE	2017	2016
	USD'000	USD'000
Audit and other audit related service fees	136	113
Non-audit service fees	215	34
Total	351	147