



**BAHRAIN  
MIDDLE EAST  
BANK**

بنك البحرين والشرق الاوسط

# **Corporate Governance Report**

**For the Year Ended 2025**

# CORPORATE GOVERNANCE REPORT

## For the Year Ended 2025



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# CORPORATE GOVERNANCE REPORT

## For the Year Ended 2025



Bahrain Middle East Bank B.S.C (“BMB” or “the Bank”) was incorporated and registered in the Kingdom of Bahrain on 05<sup>th</sup> July 1982 under commercial registration number 12266 and is licensed by the Central Bank of Bahrain (“CBB”) as a conventional Wholesale bank under license number WB/023 and is currently listed on the Bahrain Bourse under the ticker BMB.

### 1. **BMB’S CORPORATE GOVERNANCE FRAMEWORK AND PRACTICES**

The Bank has adopted various sound governance practices and operates under a written Corporate Governance Framework (“CGF”), which involves:

- adherence to the highest standards of ethical and professional behavior in the conduct of its business;
- reporting its financial results and the status of its business with accuracy and transparency in an understandable and clear manner;
- complying fully with all applicable laws, regulations and rules that govern the Bank’s business, including but not limited to the CBB’s High-level modules and the Corporate Governance Code of Bahrain; and
- conducting its business activities with an appropriate balance between risk and reward with due consideration to the interests of all its stakeholders.

The Bank has in place reasonable measures based on good corporate governance practices, such as adopting best practices include having a Corporate Governance committee under the Board to oversee Corporate Governance in addition to having in place policies on:

#### **Whistleblowing**

The Whistleblowing policy of the Bank applies to all Directors, permanent and temporary employees of the Bank and provides protection to employees for any reports made in good faith. The Board’s Audit & Risk Committee oversees this policy.

#### **Code of Ethics & Conduct**

The Bank has established a Code of Conduct that applies to all Directors, Management and staff of BMB and outlines Conflict of Interest, confidentiality, integrity, commitment and other responsibilities. The code was approved by the Board of Directors to provide basic guidelines for the Bank’s business practice, professional and personal conduct (both at corporate and individual levels) and instill public trust and confidence in the Bank and demonstrate Bank’s commitment to its Core values.

During the year, there were no Conflicts of Interest reported internally by the Directors, Management and staff of BMB.

#### **Key Persons Dealings**

The Bank has established a Key Persons Dealing Policy that applies to all dealings in BMB securities undertaken by any Key Person on their own account or under the account of persons under the guardianship or control of the relevant Key Person. The Key Persons are defined to include the Directors, Executive Management, designated employees, and persons under guardianship or control of Key Person.

#### **Remuneration**

The Bank has adopted a policy approved by the Board of Directors to apply to the Directors’ and staff remunerations and compensation. The Bank also has established other key CG policies like the Disclosure policy.

# CORPORATE GOVERNANCE REPORT

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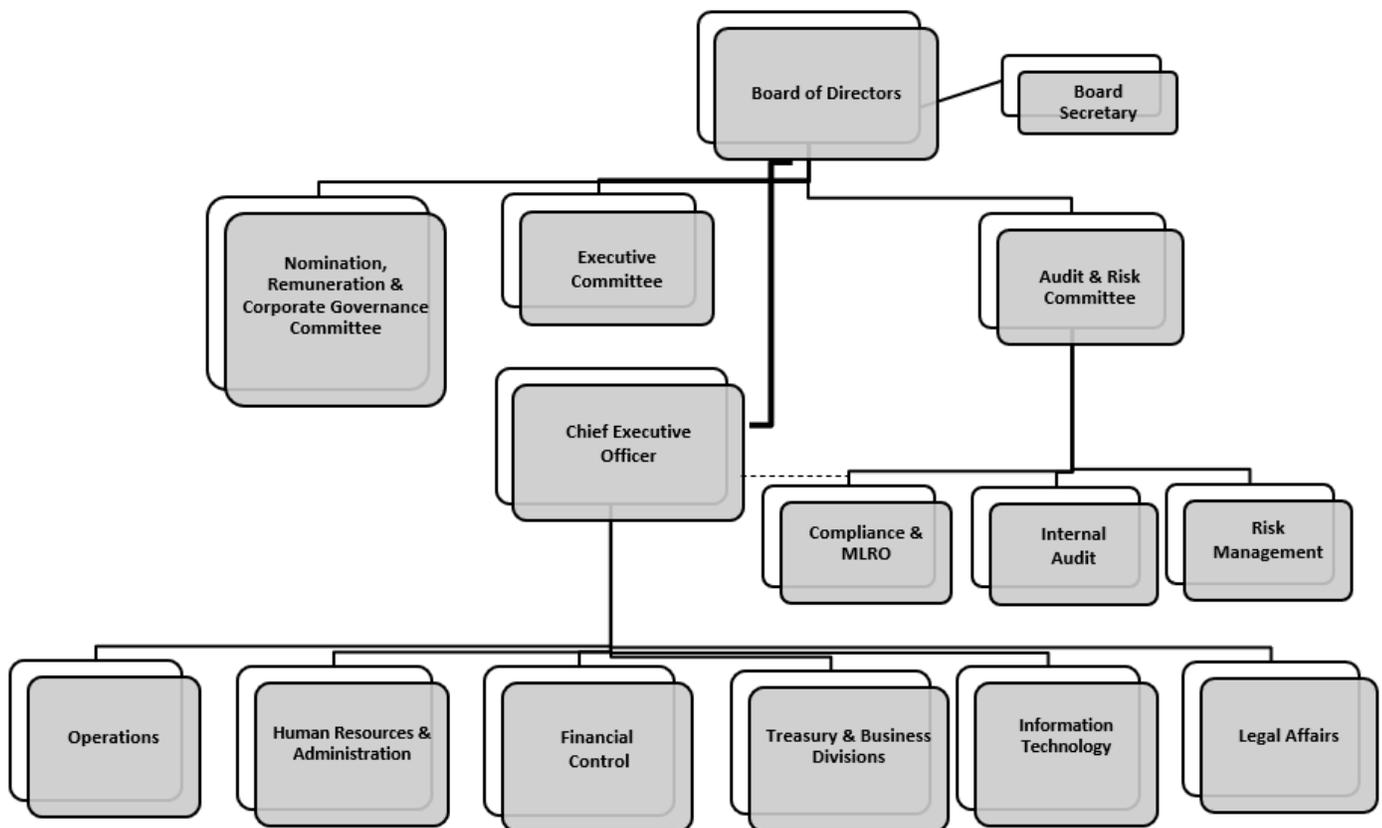


### 2. COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

BMB closely observes local laws, rules and regulations on Corporate Governance in addition to also recognizing relevant international best practices and principles.

The Bank’s Corporate Governance Framework is drawn from the Corporate Governance Code of the Kingdom of Bahrain, High-level Module under the CBB’s Rulebook Volume 1 and follows internationally recognized best practice principles and guidelines.

### 3. Organizational Structure



### 4. SHAREHOLDERS

The Bank’s shares are currently listed on the Bahrain Bourse and below is the structure as at **31 December 2025**:

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### 4.1 Shareholding structure

Name of the shareholder	% of shareholding	No. of shares	Country/ Nationality	Type
AN Investment W.L.L.	80.77%	323,088,497	Bahrain	Organization
Al Fawares Holding Company K.S.C.	14.48%	57,906,308	Kuwait	Organization
Other shareholders with less than 5% holdings	4.75%	19,005,195	Various	Various (Individuals, Organization, etc.)
<b>Total</b>	<b>100%</b>	<b>400,000,000</b>		

\* The Ultimate Beneficial Owners (UBO) are Turkish nationals, which include:

- Mr. Huseyin Başaran as the major shareholder who owns 70% of AN Investment W.L.L. (owner of the Başaran Yatırım Holding, among other companies)
- Mr. Murat Solak who owns 15% of AN Investment W.L.L.
- Mr. Ardases Saro Kavafyan who owns 15% of AN Investment W.L.L.
- The UBOs of AN Investment W.L.L have direct business relationship with the Bank through the group of companies owned and operated by Mr. Huseyin Basaran and his officers Mr. Murat Solak and Mr. Ardases Saro Kavafyan like Trade Finance Corporation Swiss AG, Trade Finance Corporation Europe GmbH & CO. KG, Kredi Finans and others, which the Bank is currently exposed to.

### 4.2 Shares held by government, Directors and Senior Management of the Bank

Neither the Government of the Kingdom of Bahrain nor the Directors and Senior Management of the Bank hold any shares of the Bank.

### 4.3 Insider Trading

Trading in the shares of the Bank continued to be suspended on the Bahrain Bourse, as such no trading of the Bank's shares was undertaken by its Directors or Senior Management **during the financial year 2025**.

### 4.4 Description of the significant events that occurred during the year

The Bank's shares remained halted for trading under the Bahrain Bourse since November 8, 2018, due to the Bank not issuing its financial results at the time, however, subsequently Bahrain Bourse ("BHB") released a new "Procedures Related to Listed Companies with Accumulated Losses", whereby, BHB suspended the trading on BMB's shares since its Accumulated Losses surpassed 75% of its Share Capital.

## 5. BOARD OF DIRECTORS

# CORPORATE GOVERNANCE REPORT

## For the Year Ended 2025



The Bank is administered by a Board of Directors whose appointment, term and responsibilities are in accordance with the provisions set out in the Bank’s Articles of Association and those set in the Commercial Companies Law and by the Central Bank of Bahrain.

### 5.1 Board Composition

In accordance with the Bank’s Amended and Restated Articles of Association, the Bank shall be administered by a Board of Directors consisting of a number of directors not less than five (5) and not exceeding fifteen (15). The number of directors may be varied subject to the provisions of the Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law and the regulations issued to its effect.

Members of the Board of Directors are elected / appointed for a three (3) year renewal term, however by a reasoned decision of the Central Bank of Bahrain, the term of the Board of Directors may be extended by no more than six months, on receipt of a reasoned request by the Board of Directors. During 2025, the Bank requested a six-month extension to the Board’s term, which was approved by the CBB, thereby extending the Board’s term end date to 10 April 2026.

The Directors election or re-election takes place at the Ordinary General Meeting (“OGM”) or the Annual General Meeting (“AGM”) through a secret cumulative voting process by the shareholders, however the appointment of Directors is subject to the pre-approval of the CBB, which involves meeting the requirements and criteria that is determined by the CBB.

As at **31-December-2025**, the Board comprised mainly of independent members who are high-level professionals with skills and expertise in multiple sectors and one Executive Director who is the CEO of the Bank.

The current term of the Board **began on 11<sup>th</sup> October 2022 and ends on 10<sup>th</sup> April 2026.**

The details of Board membership and composition is set out below.

#### 5.1.1 List of Board members

Below is the list of the current Board members whose term commenced from 11<sup>th</sup> October 2022:

#	Name	Type (executive, non-executive or independent)	Directorships position	Period of term as a director (starting from the date of first election or appointment)
1	Sh. Khalifa bin Duajj Al Khalifa	Independent	Chairman	Current term: 11 <sup>th</sup> Oct 2022 Previous term: 30 <sup>th</sup> Dec 2018 – 30 <sup>th</sup> June 2022
2	Mr. Emad Yousef AlMonayea	Independent	Vice-Chairman	Current term: 11 <sup>th</sup> Oct 2022 Previous term: 30 <sup>th</sup> Dec 2018 – 30 <sup>th</sup> June 2022
3	Mr. Khalil Ismaeel Al Meer	Independent	Director	Current term: 11 <sup>th</sup> Oct 2022 Previous term: 30 <sup>th</sup> Dec 2018 – 30 <sup>th</sup> June 2022
4	Mr. Abdulla Mohamed Dawood	Executive (CEO of the Bank)	Director	Since: 11 <sup>th</sup> Oct 2022
5	Mr. Nader Ahmed Mahmood	Independent	Director	Since: 11 <sup>th</sup> Oct 2022

#### 5.1.2 Profiles of Board members

# CORPORATE GOVERNANCE REPORT

## For the Year Ended 2025



Below are the profiles of the Board members whose term commenced on 11<sup>th</sup> October 2022 and includes those directors who were reappointed:

#	Name	Type (executive, non-executive or independent)	Directorships position
1	Sh. Khalifa bin Duajj Al Khalifa	Independent	Chairman
<b>Directorships and positions in other companies</b> (including any other key regulatory, government or commercial entities)			
<b>Position</b>	<b>Name of Entity</b>	<b>Location</b>	
Advisor	HRH Prince Salman bin Hamad Al Khalifa, the Crown Prince	Bahrain	
Board Member	Palm Capital Company WLL	Bahrain	
Board Member	Arab Thought Foundation	Lebanon	
Non-Executive Director	Al Azzam Contracting and Properties Investment Management Group S.P.C	Bahrain	
Chairman	Bahrain Financial Markets Association	Bahrain	
Chairman	British University of Bahrain W.L.L.	Bahrain	
<b>Experience</b>	Served as the President of the Court of HRH the Crown Prince. Prior to that, he was the director of the Investment Department at the Pension Fund Commission. He has over 12 years' experience in the public sector and over 14 years in the private sector.		
<b>Qualification</b>	Holder of a Master of Business Administration Degree (MBA) from John Hopkins University and Master's in Social & Public Policy from Georgetown University. He brings over 21 years of experience in Government, Diplomatic and Investment sectors.		

#	Name	Type (executive, non-executive or independent)	Directorships position
2	Mr. Emad Yousef AlMonayea	Independent	Director
<b>Directorships and positions in other companies</b> (including any other key regulatory, government or commercial entities)			
<b>Position</b>	<b>Name of Entity</b>	<b>Location</b>	
Managing Partner	Moravia Capital AG (Board Member)	Switzerland	
Chairman	Vaayu Group	UAE	
President	Aviation Academy of America	USA	
President	Vaayu Aerospace Inc.	USA	
President	Hondo Aerospace Inc	USA	
President	VT Volant Aerospace	USA	
<b>Experience</b>	Over 34 years of experience in Financial Institutions and Sovereign Wealth management. His past positions included CEO and Board Member of Kuwait Finance House Investment Co., Director of the International Investment Department in Kuwait Finance House and the Chairman of Liquidity Management Centre (Bahrain). He started his career with Kuwait Investment Authority, the sovereign fund of Kuwait.		
<b>Qualification</b>	He holds a Bachelor of Commerce and Political Science from the University of Kuwait and certificate of Strategies for Effective Negotiation from Harvard University, JFK School of Government, Executive Education.		

#	Name	Type (executive, non-executive or independent)	Directorships position
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3	Mr. Khalil Ismaeel Al Meer	Independent	Director
<b>Directorships and positions in other companies</b> (including any other key regulatory, government or commercial entities)			
<b>Position</b>	<b>Name of Entity</b>	<b>Location</b>	
-	-	-	
<b>Experience</b>	Over 33 years of experience in both Islamic and Conventional Banking. His past positions included CEO of Khaleeji Commercial Bank and a GM of the Corporate Banking Division in BBK.		
<b>Qualification</b>	He has a B.Sc. in Business Administration from the University of Bahrain.		

#	<b>Name</b>	<b>Type (executive, non-executive or independent)</b>	<b>Directorships position</b>
4	Mr. Abdulla Mohamed Dawood	Executive (CEO of the Bank)	Director
<b>Directorships and positions in other companies</b> (including any other key regulatory, government or commercial entities)			
<b>Position</b>	<b>Name of Entity</b>	<b>Location</b>	
Board of trustee	British University of Bahrain W.L.L.	Bahrain	
<b>Experience</b>	Over 26 years of experience in Treasury, Capital Markets, Institutional Banking, Retail and Corporate Banking in both conventional and Islamic Banks. He is the Chief Executive Officer of Bahrain Middle East Bank (BMB). Prior to joining BMB, He worked for Standard Chartered Bank, Bank of Bahrain & Kuwait and Khaleeji Commercial Bank.		
<b>Qualification</b>	He holds a Master's degree in Business Administration (MBA) from the New York Institute of Technology and a Bachelor degree in Banking & Finance from the University of Bahrain.		

#	<b>Name</b>	<b>Type (executive, non-executive or independent)</b>	<b>Directorships position</b>
5	Mr. Nader Ahmed Mahmood	Independent	Director
<b>Directorships and positions in other companies</b> (including any other key regulatory, government or commercial entities)			
<b>Position</b>	<b>Name of Entity</b>	<b>Location</b>	
-	-	-	
<b>Experience</b>	Over 30 years of experience in Banking, with knowledge and skills in various functions including auditing, credit administration, compliance, money laundering, investment banking, Treasury, back office and operational functions. He worked with Al-Baraka Banking Group, Gulf International Bank, Bank of Bahrain & Kuwait and Bapco.		
<b>Qualification</b>	He holds a B.Sc. in Business Administration from the University of Bahrain		

### 5.2 Responsibilities of the Board

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The Board is ultimately responsible for the overall business performance, governance, direction, supervision and strategy of the Bank.

The Board's role and responsibilities include but are not limited to:

- Set out broad goals, strategies, business plans and budget for the Bank and monitor their implementation as well as set clear objectives and policies;
- Set the "tone at the top" and play a leading role in establishing the Bank's corporate culture and values and oversee Senior Management's role in fostering and maintaining a sound corporate and risk culture;
- Establish organization structure for day-to-day management and appoint Senior Management;
- Manage risks by limiting exposures to excessive risk of all kinds (financial, legal and reputational);
- Ensure that no individual Director or group of Directors dominates the Board's decision-making, and no individual or group has unfettered powers of decision;
- Actively engage in the affairs of the Bank, keep up with material changes in the Bank's business and the external environment and act in a timely manner to protect the long-term interests of the Bank;
- Establish robust Corporate Governance rules and Code of Ethics and Conduct and monitor their adherence by the Board, Management and employees;
- Oversight of Senior Management to review management decisions, adequacy of systems, controls, processes and procedures in line with the Board approved policies;
- Review of internal controls to ensure their efficiency and effectiveness;
- Review and approve Succession planning and business continuity plans;
- Oversight of communications and financial disclosures to ensure their timeliness, accuracy, completeness and transparency and approve the annual and interim financial statements;
- Actively oversee, with the assistance and advise of the NRCG, the remuneration system's design and operation for Approved Persons and material risk-takers and monitor and review Senior Management compensation and assess whether it is aligned with the Bank's remuneration policy, risk culture and risk appetite;
- Protection of shareholders' interests and elimination of conflicts of interest;
- Consider the legitimate interests of depositors, shareholders and other relevant stakeholders in their decision-making process.

### **5.3 Board Committees**

The Board has established the three (3) committees to ensure that it carries out its functions and provides effective supervision and leadership. These board committees are as follows:

- Executive Committee ("EXCO")
- Audit & Risk Committee ("ARC")
- Nomination, Remuneration & Corporate Governance Committee ("NRCG")

During the year 2018, the Audit Committee charter was updated to include the Risk Committee as a combined committee to form the Audit & Risk Committee. In addition, the Nomination committee, the Remuneration Committee and the Corporate Governance committee were also combined. This was based on the activities of the Bank, the size of the Board and was done with the prior approval of the Central Bank of Bahrain.

#### **5.3.1 Responsibility of Board Committees**

##### **Executive Committee ("EXCO")**

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The mandate and functions of the EXCO requires it, among other matters, 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.

### **Audit & Risk Committee ("ARC")**

The mandate and functions of the ARC is to provide assistance to the Board and among other matters:

- Shall have authority to conduct or authorise investigations into any matters within its scope of responsibility, which may include seeking any information that it requires from any employee of the Bank, obtaining outside legal or independent professional advice and calling any employee to be questioned at a meeting of the Committee as and when required and have unrestricted access to Senior Management, employees and relevant information;
- Shall have necessary authority to select, retain, terminate and approve the fee of outside legal, accounting or other advisors as it deems necessary or appropriate, without seeking the approval of the Board or Senior Management;
- Shall have access to Bank's internal or external reports, records and information, including minutes of management meetings etc.;
- Engage independent counsel and other advisors, as it deems necessary to carry out its duties, provided such engagements are justifiable;
- In accordance with the Bank's Code of Conduct Policy, address any concerns of employees regarding accounting, internal controls, auditing or legal matters;
- In accordance with the Bank's Code of Conduct Policy and Whistleblowing Policy, address any complaints or notice of any reporting violations received by the Bank regarding accounting, internal controls, auditing, risk management, regulatory compliance or legal matters;
- Be directly responsible for the selection, compensation and oversight of the External Auditors on an annual basis for appointment and approval at the shareholder's meeting including the performance of External Auditors.
- Be directly responsible for the appointment, retention and oversight of the Internal Auditors;
- Be directly responsible for reviewing the Bank's financial statements and recommending the financial statements to the Bank's Board for approval;
- Discuss all risk strategies on both an aggregated basis and by type of risk and make recommendations to the Board;
- Recommend the appointment or removal of the Head of Internal Audit, Chief Risk Officer (CRO), or equivalent, and Compliance Officer following discussion of the reasons for removal with the CBB.

### **Nomination, Remuneration & Corporate Governance Committee ("NRCG")**

The mandate and functions of the NRCG responsibilities is to:

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- 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, Risk Manager and Compliance Officer which is the responsibility of the Audit & Risk Committee), and make recommendations accordingly;
- Review the Bank's remuneration policies for approved persons consistent with Central Bank of Bahrain 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;
- Oversee Directors' corporate governance educational activities;
- 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.

### 5.3.2 Board Committees' Membership

As at **31-December-2025**, the following were the members of the Board committees:

#	Name	Members	Member position
1	Executive Committee ("EXCO")	Mr. Emad Yousef AlMonayea	Chairman
		Mr. Abdulla Mohamed Dawood	Member
2	Audit & Risk Committee ("ARC")	Mr. Khalil Ismaeel Al Meer	Chairman
		Mr. Nader Ahmed Mahmood	Vice-Chairman
3	Nomination, Remuneration and Corporate Governance Committee ("NRGG")	Sh. Khalifa bin Duaij Al Khalifa	Chairman
		Mr. Khalil Ismaeel Al Meer	Vice-Chairman
		Mr. Nader Ahmed Mahmood	Member

### 5.4 Board Meetings during the year and Attendance of Members

As per rule HC-3.1.7 under the CBB's Rulebook Volume 1- High-Level Controls, the board must meet frequently to enable it to discharge its responsibilities effectively but in no event less than four times a year. Also, as per rule HC-3.1.8 under the CBB's Rulebook Volume 1- High-Level Controls, individual board members must attend at least 75% of all Board meetings in a given financial year to enable the Board to discharge its responsibilities effectively.

During the year, the Board of Directors met as per its constitution and in line with the Articles of the Bank and the CBB's requirements, however, due to the extra-ordinary circumstances and the seriousness of the issues being discussed, whereby those issues required careful study and time for consideration, the Board of Directors held reduced meetings for its committees as it decided that those issues should be discussed by the entirety of the Board.

In addition to the regularly scheduled meetings, the Board of Directors also received information between meetings in respect of activities of the management and developments in the Bank's business.

Below are the details of Board meetings held during the year **2025**:

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Type of Meeting	Meeting dates
<b>Board of Directors</b>	18 February 2025 26 March 2025 12 May 2025 10 December 2025
<b>EXCO</b>	10 December 2025
<b>ARC</b>	17 February 2025
<b>NRCG</b>	18 February 2025

Below are the details of current term's Board members' attendance whose **term began on 11<sup>th</sup> October 2022**:

Members	Board of Directors	EXCO	ARC	NRCG
	Meetings held: 4	Meetings held: 1	Meetings held: 1	Meetings held: 1
Sh. Khalifa bin Duaij Al Khalifa	Attended 4 (100%)*	N/A	N/A	Attended 1 (100%)*
Mr. Emad Yousef AlMonayea	Attended 4 (100%)	Attended 1(100%)*	N/A	N/A
Mr. Khalil Ismaeel Al Meer	Attended 4 (100%)	N/A	Attended 1(100%)*	Attended 1 (100%)
Mr. Abdulla Mohamed Dawood	Attended 4 (100%)	Attended 1 (100%)	N/A	N/A
Mr. Nader Ahmed Mahmood	Attended 4 (100%)	N/A	Attended 1 (100%)	Attended 1 (100%)

*Note: Figures in (brackets) indicate the percentage of attendance by dividing number of attended meetings over total meetings during the year.*

*\* Indicates attendance as Chairman*

### 5.5 Board Evaluation and Assessment

The Bank requires that the Board evaluates its own performance each year, as well as the performance of each Board Committee and individual Director. The Board shall conduct the evaluation of its performance and the performance of all committees and directors at least once a year and the result of the evaluation shall be reported to the shareholders in the scheduled general meeting.

### 5.6 Remuneration paid to the Board

Refer to section 6.2 for more details.

## 6. REMUNERATION

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The Bank adopts sound remuneration practices in accordance with CBB requirements, whereby the Bank has in place a Remuneration Framework which is made up of the Bank's Remuneration Policy and the Employee Shares Incentive Plan. The Remuneration Framework obtained Shareholders' approval at its Annual General Meeting in 2014. The key features of the Remuneration Framework are summarised below.

### **6.1 Remuneration Policy**

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 NRCG is responsible for the effective implementation and maintenance of the Bank's remuneration. 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. The NRCG 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.

In its review of those risks, NRCG with obtaining risk related inputs from the Head of Risk Management in line with the roles defined in the remuneration policy, 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 NRCG 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 favour of fixed remuneration.

### **6.2 Board Remuneration**

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The aggregate remuneration for year 2025 to be paid to Board Members whose **term began on 11<sup>th</sup> October 2022** is as follows:

Members	Remuneration per meeting*	Meetings Attended	Total Remuneration for Meetings Attended	Others (Bonuses/ Allowances/ Shares)	Total Remuneration
	Amount in USD		Amount in USD	Amount in USD	Amount in USD
Independent Director- Chairman	2,500	4	10,000	-	10,000
Independent Director- Vice Chairman	2,000	5	11,000	-	11,000
Independent Director	2,000	6	12,500	-	12,500
Executive Director	2,000	5	10,000	-	10,000
Independent Director	2,000	6	12,000	-	12,000
<b>Total Remuneration to be paid to the current term's Board during the year</b>			<b>55,500</b>	<b>-</b>	<b>55,500</b>

\* for attendance of any Board member as Chairman in Board and/or its committees meetings, remuneration per meeting will be an Amount of USD 2,500.

### 6.3 Staff Remuneration

The aggregate remuneration paid out to 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 during the year 2025 is as follows:

Amounts in USD	Fixed Remuneration		Variable Remuneration		Total Remuneration
	Cash	Shares/others	Cash	Shares/others	Amount in USD
Approved persons - Business Lines	300,875.33	-	-	-	300,875.33
Approved persons - Control & Support Functions	141,891.25	-	-	-	141,891.25
Other Material Risk Takers	72,637.24	-	-	-	72,637.24
Other Staff (not included in above categories)	197,379.31	-	-	-	197,379.31
<b>TOTAL</b>	<b>712,783.13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>712,783.13</b>

Note: Other staff expenses or difference reported in the consolidated statement of income that have not been incorporated in the table above, comprise of indirect staff costs including training, travel expenses, medical insurance, life assurance, etc.

In 2015, the Bank 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 (3) years as part of the Variable remuneration.

During the year, there were no new shares or awards issued to any employees as an incentive. Below is a table

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illustrating the movement in deferred remuneration and in the number of shares:

<i>Amounts in USD</i>	Cash	Shares	Others	TOTAL
	<i>Cash</i>	<i>Shares</i>	<i>others</i>	<i>Amount in USD</i>
Opening balance	-	-	-	-
Awarded during the period	-	-	-	-
Vested / paid out during the year	-	-	-	-
Forfeited during the year	-	-	-	-
<b>TOTAL</b>	-	-	-	-

### 7. EMPLOYMENT OF RELATIVES OF APPROVED PERSONS

As a matter of policy, the Bank avoids the employment of family or 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 NRCG, with the condition that any conflicts of interest (if any) be fully disclosed and accepted by the committee.

As per the CBB's Volume 1—Conventional Banks / Part B / Glossary of Defined Terms, "Family" is defined as "The term family refers to father, mother, husband, wife, son, daughter, grandfather, grandmother, grandson or granddaughter".

The Chief Executive Officer discloses to the Board annually the close 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.

### 8. RELATED / CONNECTED PARTY TRANSACTIONS

The Bank adheres to the CBB's guidelines on related and connected party transactions.

#### 8.1 Exposure & Transaction details

For details on transactions with related/connected parties indicating the nature of relationship and type of transaction, please refer to the Notes under the audited consolidated financial statements for the year.

#### 8.2 Approval Process

Approval process for connected counter party transactions / related party exposures (within the CBB defined limits) will be approved by the appropriate approving authority as per the Bank's Delegate Authority Limit ("DAL"). Where the approving authority as per DAL is connected / interested, the approval authority shall move to the next level.

### 9. INTERNAL CONTROLS FRAMEWORK

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### 9.1 Overview of the Internal Controls

The Bank maintains an effective system of internal controls that safeguards the Bank's assets which includes and is not limited to robust risk management framework, proper accounting records, reliable financial information by procedures and other controls that are designed to avoid or reduce risks and ensure compliance with applicable laws and regulations.

The Board of Directors is ultimately responsible for ensuring the establishment of an effective internal controls system and establishment of sound risk management framework commensurate with the bank's size, complexity and risk profile, which includes ensuring effective measures establish an effective compliance framework, which is appropriate for the size and complexity of the operations and for managing the compliance risks.

The Audit & Risk Committee assists the Board in overseeing and reviewing the effectiveness of the internal controls systems, which includes evaluating the Bank's policies/procedures and their implementation.

The Senior Management is responsible for day-to-day responsibility and implementation of internal controls, which includes Preventive, Detective and Corrective controls are in place.

### 9.2 Three Lines of Defense model

The Bank has implemented its internal controls that is facilitated through the Three Lines of Defense model that includes the setup of independent control functions, which report directly to the Board and/or the Audit & Risk Committee.

Lines of Defence	Responsible Unit(s)	Brief Description
First Line of Defence	Business and Process owners (Direct line functions)	Functions that own and manage risk, mainly those at the front lines.
Second Line of Defence	Risk Management Compliance	Independent control functions that oversee or specialise in risk management and compliance, which includes aiding in developing and implementing risk management processes, policies and procedures
Third Line of Defence	Internal Audit Independent assurance	An independent control function or a third-party that provides assurance.

### 9.3 The Independent Control Functions

#### 9.3.1 The Risk Management Function

The Bank's Risk Management function is an independent control function under the second line of defence which is headed by the Risk Manager who reports directly to the Audit & Risk Committee of the Board. The Risk Manager is responsible for supporting the Board and the Audit & Risk Committee as appropriate as the focal point for risk management to the Board and the Audit & Risk Committee and has primary responsibility for overseeing the development and implementation of the Bank's risk management framework. The Risk Manager is independent of the business lines to ensure an adequate separation of duties and to avoid conflicts of interest and is responsible for participating in key decision-making processes (e.g., strategic planning, capital and liquidity planning, new products and services development and compensation design and operation).

The Risk Management Function is also responsible for monitoring and ensuring policies are adhered to as part of its policy supervision role and to ensure that all material risks are properly assessed and controlled under the risk framework that encompasses the risk management process.

#### 9.3.2 The Compliance Function

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The Bank's Compliance function is an independent control function under the second line of defence which is headed by the Compliance Officer. The Compliance function ensures compliance with regulatory and statutory requirements and also includes compliance with anti-money laundering procedures and other compliance related controls, which is monitored and implemented by the Bank's Compliance Officer.

### 9.3.3 Internal Audit Function

The internal audit function of the Bank acts as the third line of defence which reports to the Audit & Risk Committee on the effectiveness of key internal controls and conducts reviews of the efficacy of management oversight in regard to delegated responsibilities, as part of its regular audits of the Bank's departments and subsidiaries. It is to be noted that the Bank has obtained a temporary exemption (via letter to CBB on 17 March 2020) on recruiting an Internal Auditor until the improvement of its distressed financial position.

## 10. EXTERNAL AUDITORS

The Bank's Articles of Association and the Audit & Risk Committee include measures to ensure ongoing independence of the Bank's external auditors. The Bank's external auditors have unrestricted access to the Board committees and 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.

Below are the details of the Bank's current external auditors:

<b>Name of the audit firm</b>	Ernst & Young ("E&Y")
<b>Years of service as the Company's external auditor</b>	Since 2013 (13 years)
<b>The Partner's year of service as the partner in charge of the Bank's audit</b>	2 years
<b>Total Audit Fees for 2025 (BHD)</b>	17,800
<b>Other Non-audit service fees (BHD) (Other special fees and charges for non-audit services other than auditing the financial statements for the year 2025)</b>	3,700

## 11. WHISTLEBLOWING

During the year, there were no whistleblowing incidents reported.

## 12. DISCLOSURES

The Bank's website also provides access to BMB's annual reports, and all the information contained in these reports is therefore accessible globally. The information includes Management discussion on the business activities of the Bank, as well as discussion and analysis of the financial statements and risk management. The financial information reflects the latest International Financial Reporting Standards. The Board-approved Disclosure Policy is in accordance with the requirements of Basel 3 Pillar 3, in compliance with CBB rules. The objective of this policy is to ensure transparency in the disclosure of the financial and risk profiles of the Bank to all interested parties.

## 13. COMMUNICATION WITH SHAREHOLDERS

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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.

In addition to the above, the Bank's shares extensive disclosure through its annual report, website, social media, public announcements via Bahrain Bourse, newspapers, etc.

#### **14. DIVIDEND POLICY**

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

#### **15. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RESPONSIBILITY**

The Bank is devoted to fulfilling its commitments as a good corporate citizen to the environment and to the communities in which it operates, which include its efforts to develop the quality of life of the people and save the environment.

For the full report please refer to the BMB Sustainability Report 2025.