

Corporate Governance

Good Corporate Governance practices are important in creating and sustaining shareholder value and ensuring appropriate disclosure and transparency. The Bank's Corporate Governance Policy provides the framework for the principles of effective Corporate Governance standards across the AUB Group.

The Bank's Board of Directors (the "**Board**") is committed to implementing robust Corporate Governance practices and to continually reviewing and aligning these practices with international best practices, where appropriate.

The Bank's management is committed to ensuring that procedures and processes are in place to reflect and support the Board approved Corporate Governance related policies, to ensure the highest standards of Corporate Governance throughout the AUB Group.

Shareholder Information

The Bank's shares are listed on the Bahrain Bourse and the Boursa Kuwait. As at 31 December 2019, the Bank had issued 8,774,444,281 ordinary shares, each with a nominal value of US\$0.25. All ordinary shares are fully paid up.

The Bank's shareholders are invited by the AUB Chairman to attend the Annual General Meeting ("**AGM**"). The AUB Chairman and other Directors attend the AGM and are available to answer any questions. Both, the AGM and an Extraordinary General Meeting were held on 28 March 2019.

Ordinary shareholders as at 31 December 2019: holding 5% and above:

No.	Name/Entity	Country of Origin	No. of Shares	% Ownership
1	Public Institution for Social Security	Kuwait	1,638,615,873	18.67%
2	Social Insurance Organization	Bahrain	878,108,733	10.01%
3	Tamdeen Investment Company	Kuwait	658,910,395	7.51%

Distribution of shares

Table 1- Distribution of ordinary shares by threshold as at 31 December 2019:

Threshold	No of shares	No of shareholders
50% and above	-	-
20% to 49.99%	-	-
10% to 19.99%	2,516,724,606	2
5% to 9.99%	658,910,395	1
1% to 4.99%	1,897,097,398	12

Less than 1%	3,701,711,882	3,972
Total	8,774,444,281	3,987

Table 2- Distribution of ordinary shares by nationality as at 31 December 2019:

No.	Name	No. of Shares	% of Total shares
1	Kuwait		
	Government and Quasi Government	1,775,783,329	20.24%
	Individuals and Corporates	3,650,625,932	41.61%
	Subtotal Kuwait	5,426,409,261	61.84%
2	Bahrain		
	Government and Quasi Government	890,701,902	10.15%
	Individuals and Corporates	1,216,617,020	13.87%
	Subtotal Bahrain	2,107,318,922	24.02%
3	Others		
	Government and Quasi Government	101,840,275	1.16%
	Individuals and Corporates	1,138,875,823	12.98%
	Subtotal Others	1,240,716,098	14.14%
	Total	8,774,444,281	100%

The Board

The composition of the Board represents an appropriate mix of professional skills and expertise. A general election for Board membership was held on 29 March 2018. The Board periodically reviews its composition and performance, as well as the performance of each Director. In compliance with the Corporate Governance requirements of the Central Bank of Bahrain (“CBB”), the Board has outlined its criteria and materiality thresholds for the definition of “Independence” in relation to Directors. The independence criteria are reassessed annually by the Board and for the year 2019, the 10 Directors comprising the Board were classified as follows:

- 5 Non-Executive Directors
- 4 Independent Directors
- 1 Executive Director

The classification of each Director as at 31 December 2019 is set out below:

Directors	Classification
Meshal AbdulAziz Alothman – Chairman*	Non-Executive
Mohammad Jassim Al-Marzooq - Deputy Chairman	Non-Executive
Mohammad Fouad Al-Ghanim	Non-Executive
Abdulghani M.S.Y. Behbehani	Independent
Ahmad Ghazi Al-Abduljalil	Non-Executive
Abdullah Mudhaf Al Mudhaf	Independent
Jamal Abdulrazzaq Al Naif	Independent
Mahmoud Difrawy	Independent
Khalid Mohamed Najibi**	Non-Executive
Adel A. El-Labban	Executive

* Mr. Meshal AbdulAziz Alothman replaced Mr. Hamad Al Humaidhi on the Board as the representative of Wafra International Investment Co. K.S.C.C. He was elected by the Board as the new Chairman of the Board with effect from 19 February 2019.

** Mr. Khalid Mohamed Najibi replaced Mr. Rashed Ismaeel Al Meer on the Board as the representative of the Social Insurance Organisation with effect from 23 April 2019.

*** Mr. Adnan Al Marzouq resigned from the Board with effect from 31 March 2019. The Board resolved not to fill the vacancy.

The CBB Rulebook Module HC-1.4.6 recommends that the Chairman of the Board should be an Independent Director. Although the AUB Chairman was classified as a Non-Executive Director, due to his position as Director General of the Public Institution for Social Security, a major shareholder of the Bank, this did not compromise the Bank's high standards of Corporate Governance as the Bank follows strict policies to manage conflict of interests relating to decisions of the Board.

The role and responsibilities of the Board

The Board is responsible to the shareholders for creating and delivering sustainable shareholder value through the prudent management of the Bank's business.

The Board, as a whole, is collectively responsible for ensuring that an effective, comprehensive and transparent Corporate Governance framework is in place. The Board's role is to:

1. ensure adherence to prevailing laws and regulations and to best business ethics;
2. provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls, which enable risk to be assessed and managed;
3. set the Bank's strategic aims, ensure that the necessary financial and human resources are in place for the Bank to meet its objectives and review management performance; and
4. set the Bank's values and standards and ensure that its obligations to its shareholders and others are understood and met.

In carrying out these responsibilities, the Board must ensure that the Bank's management strikes an appropriate balance between promoting long term growth and delivering short term objectives and have regard to what is appropriate for the Bank's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

All Directors must act in good faith and in a way that promotes the success of the Bank for the benefit of its shareholders as a whole. In doing so, each Director, must have regard to:

1. the likely consequences of any decision in the long term;
2. the interests of the Bank as well as the Bank's employees and shareholders;
3. the need to foster the Bank's business relationships with suppliers, customers and others;
4. the impact of the Bank's operations on the community and the environment;
5. the desirability of the Bank maintaining a reputation for high standards of business conduct; and
6. the need to act fairly as between the members of the Bank.

When carrying out their responsibilities, Directors are required to:

1. act with integrity;
2. act with due skill, care and attention;
3. observe proper standards of market conduct; and
4. deal with the regulatory authorities in an open and co-operative way and must disclose appropriately any information of which the regulator would reasonably expect notice.

Board meetings and attendance

The Board is required to meet at least four (4) times per year. A schedule for the Board's regular meetings is submitted to the Directors annually in advance. Additional meetings may be convened on an ad hoc basis at the invitation of the Chairman or otherwise in accordance with the provisions of the Commercial Companies Law. The Board met six (6) times during 2019.

All Directors are expected to physically attend all Board and shareholder meetings unless there are exceptional circumstances that prevent them from doing so. Directors who cannot physically attend Board meetings, may attend by video or telephone conference. Meeting papers are prepared and circulated in advance of Board meetings and include minutes of the meetings of Board Committees held since the previous Board meeting.

The Board meetings held during 2019, and attendance of each Director at each such meeting are detailed below:

Directors ³	Meeting Dates					
	24/1/2019	19/2/2019	18/4/2019	29/8/2019	12/9/2019	14/11/2019
Meshal AbdulAziz Alothman ¹		✓	✓	✓	✓	✓
Mohammad Al-Marzooq	✓	✓	✓	✓	✓	✓
Mohammad Al-Ghanim	x	✓	x	x	✓	✓
Abdulghani Behbehani	✓	✓	✓	✓	✓	✓
Ahmad G. Al-Abduljalil	✓	✓	✓	✓	✓	✓
Abdullah M. Al Mudhaf	✓	✓	✓	x	✓	✓
Jamal Al Naif	✓	✓	✓	✓	✓	✓
Mahmoud Difrawy	✓	✓	✓	✓	✓	✓
Khalid Mohamed Najibi ²				✓	✓	✓
Adel A. El-Labban	✓	✓	✓	✓	✓	✓

1. Mr. Meshal AbdulAziz Alothman replaced Mr. Hamad Al Humaidhi on the Board as the representative of Wafra International Investment Co. K.S.C.C. He was elected by the Board as the new Chairman of the Board with effect from 19 February 2019.
2. Mr. Khalid Mohamed Najibi replaced Mr. Rashed Ismaeel Al Meer on the Board as the representative of the Social Insurance Organisation with effect from 23 April 2019.
3. Mr. Adnan Al Marzouq resigned from the Board with effect from 31 March 2019. The Board resolved not to fill the vacancy.

The CBB Rulebook Module HC-1.3.4 requires individual Directors to attend at least 75% of all Board meetings held in each financial year. The attendance of all Directors at Board meetings is reported to the CBB on an annual basis. During 2019, all Directors except for one complied with the requirements of Module HC-1.3.4. An appropriate explanation was received from the Director in this regard, which was communicated to the CBB.

Election and termination of appointment of Directors

Directors are elected for a three-year term. Elections take place in accordance with the Memorandum and Articles of Association of the Bank, the Bahrain Commercial Companies Law and the CBB Rulebook. There is no maximum age at which a Director must retire from the Board. Each Director's term of appointment terminates, pursuant to the terms of his letter of appointment and/or the provisions of applicable law.

Induction and Training of Directors

The Bank has an induction program in place, which is designed for each new Director. The induction program includes: i) an introductory pack containing, amongst other things, the AUB Group Overview, AUB Group Organisation Chart, Terms of Reference of the Board and Board Committees and key policies; ii) presentations on significant financial, strategic and risk issues; and iii) orientation meetings with key management as may be required. As a standing procedure, all continuing Directors are invited to attend orientation meetings.

Ongoing professional development for Directors was conducted during the year in accordance with the requirements of the TC Module 1.2.1. An annual comprehensive training plan in compliance with the CBB Rule Book High Level Controls Module for the AUB Board of Directors (BoD) for the continuous professional education of the BoD members is managed by Group HR through a combination of face-to-face training sessions which are based on industry relevant topics and delivered by international speakers, online learning and the dissemination of relevant industry driven articles. The training plan incorporates a blended learning methodology across e-learning, instructor-led face to face workshops and reading material to comply with the CBB requirement that all Directors must continually educate themselves as to the licensee's business and corporate governance for a minimum of 15 hours annually.

Board evaluation

Evaluations were conducted on the performance of the Board and each Director during 2019. Applying a scoring methodology proposed by professional advisors, a rating of "Excellent" was achieved for the performance of the Board and each individual Director, indicating that the Board, and the Directors on an individual level, performed in accordance with their stated roles and responsibilities during 2019.

Access to Advice and Information

Individual Directors are authorized to obtain independent legal or other professional advice at the Bank's reasonable expense whenever they judge this necessary in order to discharge their responsibilities as Directors.

Non-Executive Directors have access to, and are authorised to seek, any information they require from any employee of the Bank.

Directors' and Related Parties' Interests

No Director has entered into, either directly or indirectly, any material contract with the Bank or any of its subsidiaries, nor does any Director have any material conflict of interest with the Bank. The Directors are required to declare any conflict of interest or any potential conflict of interest that exists, or that Directors become aware of, to the Chairman of the Board and the Corporate Secretary as soon as they become aware of them. This disclosure must include all relevant material facts.

The Bank has a procedure for dealing with transactions involving Directors and related parties. Any such transaction will require the approval of the Board, with the conflicted Director abstaining.

Note 24 to the audited consolidated financial statements of the AUB Group for the year ended 31 December 2019, sets out the relevant disclosures of related party transactions.

The Terms of Reference of the Board require that all Directors, whether Non-executive or Executive, should exercise independence in their decision-making and should abstain from any decisions involving any actual or potential conflicts of interest. Should any Director have any doubts with respect to conflicts of interest or

potential conflict of interest, the Director is requested to consult the Chairman of the Board, or in the case of the Chairman, the Chairman of the Audit & Compliance Committee, and in each case the Corporate Secretary prior to taking any action that might compromise the Bank.

All Directors and other Approved Persons have declared all of their interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation) in writing to the Board.

The number of shares of the Bank owned by Directors as at 31 December 2019 is shown below:

No	Directors	Purchased/Sold	No. of shares as of 31-Dec-2019
1.	Meshal AbdulAziz Alothman*	-	-
2.	Mohammad Jassim Al-Marzooq	-	234,194
3.	Mohammad Fouad Al-Ghanim	-	713,766
4.	Abdulghani M.S.Y. Behbehani	-	266,805
5.	Ahmad Ghazi Al-Abduljalil	-	-
6.	Abdullah Mudhaf Al Mudhaf	-	30,677,791
7.	Jamal Abdulrazzaq Al Naif	-	-
8.	Mahmoud Difrawy	-	-
9.	Khalid Mohamed Najibi**	-	-
10.	Adel A. El-Labban	-	-
Total			31,892,556
Percentage			0.36%

* Mr. Meshal AbdulAziz Alothman replaced Mr. Hamad Al Humaidhi on the Board as the representative of Wafra International Investment Co. K.S.C.C. with effect from 19 February 2019.

** Mr. Khalid Mohamed Najibi replaced Mr. Rashed Ismaeel Al Meer on the Board as the representative of the Social Insurance Organisation with effect from 23 April 2019.

*** Mr. Adnan Al Marzouq resigned from the Board with effect from 31 March 2019. The Board resolved not to fill the vacancy.

The numbers of shares owned by Senior Management and Approved Persons as at 31 December 2019 is as follows:

Names	Purchased	Sold	No of shares as of 31-Dec-2019
Adel A. El-Labban	-	-	-
Sanjeev Baijal	-	-	2,689,702
Keith Gale	-	1,474,845	-
Suvrat Saigal	-	-	-
Mustafa Shafqat Anwar	121,940	775,000	913,563
David Arthur O' Loan	-	-	-
Mark Andrew Ogilvie Hirst	-	-	-
Othman Hijazi	-	-	-
Robert Jones	-	2,330,216	-
Andre Roos	-	1,727,503	-
Iman Al-Madani	-	-	-
Srinivasan Venkatraman Rathinam	-	-	-
Ramachandralal Ravindranath	175,272	1,539,081	-
Peter David Mutti	-	-	-
Chandramohan Ganapathy	-	-	-
Mahmood Hassan Khursheed	538,713	168,000	950,731

Employment of Relatives

The Bank does not encourage the employment of relatives. However, under exceptional conditions and based on specific requests and needs, the Bank may decide in favour of employing relatives, on a temporary or permanent basis, subject to a comprehensive review and only in cases where there is no conflict of interest or operational risk to the Bank involved. The Board of Directors has approved a policy on the employment of relatives on 19 July 2016 which has established a recruitment committee to review the recruitment requests of relatives of Bank employees of up to the third degree and recommend the hiring of relatives of Approved Persons occupying Controlled Functions to the GCEO & MD. Human Resources discloses to the Board of Directors on an annual basis, the names of all relatives of any Approved Persons occupying Controlled Functions, last disclosed on **31 December 2019**.

The recruitment committee reviews the recruitment requests on the following considerations:

- No relatives shall work in the same business unit/department.
- No relatives shall report to each other or allowed to supervise each other.
- No relatives shall work in business units/departments which have a conflict of interest or would create an operational risk for the Bank.
- No relatives shall share a dual signature/ approval in the Bank and have dual access control to any Bank property (Physical & IT).

Material Transactions

In addition to large credit transactions that require Board approval as per the Credit Policy, the Board also approves senior unsecured medium term (greater than 1 year) funding initiatives, strategic investments decisions, as well as any other decisions which have or could have a material financial or reputational impact on the Bank.

Board Committees

The Board may, where appropriate, delegate certain of its powers to an individual Director or to a committee comprised of Directors and/or other persons, constituted in the manner most appropriate to those tasks.

The Board has constituted a number of Board Committees, membership of which is drawn from the Directors and to which it has delegated specific responsibilities, through Terms of Reference, which are reviewed and adopted by the Board on an annual basis.

All Board Committee members are expected to attend each Committee meeting, unless there are exceptional circumstances that prevent them from doing so. Committee members who cannot physically attend a meeting may attend the meeting by video or telephone conference.

Each Board Committee has access to independent expert advice at the Bank's expense.

The Board Committees are each comprised of an appropriate mix of professional skills and expertise. The Chairman of each Board Committee periodically evaluates the performance of the Board Committees and reports the results to the Board. The names of the Committee members and their memberships in the Board Committees and attendance at meetings held during 2019 are detailed below:

Executive Committee meetings

Members ³	Classification	Meeting Dates				
		19/2/2019	18/4/2019	29/8/2019	12/9/2019	14/11/2019
Meshal AbdulAziz Alothman ¹ - Chairman	Non-Executive	✓	✓	✓	✓	✓
Mohammad Al-Marzooq	Non-Executive	✓	✓	✓	✓	✓
Mohammad Al-Ghanim	Non-Executive	✓	×	×	✓	✓
Khalid Mohamed Najibi ²	Non-Executive			✓	✓	✓
Adel A. El-Labban	Executive	✓	✓	✓	✓	✓

1. Mr. Meshal AbdulAziz Alothman replaced Mr. Hamad Al Humaidhi on the Executive Committee with effect from 19 February 2019.
2. Mr. Khalid Najibi replaced Mr. Rashed Al Meer on the Executive Committee with effect from 5 May 2019.
3. Mr. Adnan Al Marzouq resigned from the Executive Committee with effect from 31 March 2019.

Audit and Compliance Committee Meetings

Members	Classification	Meeting Dates			
		19/2/2019	17/4/2019	29/8/2019	13/11/2019
Abdulghani Behbehani - Chairman	Independent	✓	✓	✓	✓
Ahmad G. Al-Abduljalil	Non-Executive	✓	✓	✓	✓
Abdullah M. Al Mudhaf	Independent	✓	✓	x	✓
Jamal Al Naif	Independent	✓	✓	✓	✓
Mahmoud Difrawy	Independent	✓	✓	✓	✓

Nominating Committee Meetings

Members	Classification	Meeting Dates
		29/08/2019
Abdulghani Behbehani - Chairman	Independent	✓
Ahmad G. Al-Abduljalil	Non-Executive	✓
Abdullah M. Al Mudhaf	Independent	✓
Jamal Al Naif	Independent	✓
Mahmoud Difrawy	Independent	✓

Compensation Committee Meetings

Members	Classification	Meeting Date	
		19/2/2019	13/11/2019
Abdullah M. Al Mudhaf – Chairman	Independent	✓	✓
Abdulghani Behbehani	Independent	✓	✓
Mohammad Al-Marzooq ¹	Non-Executive	✓	

Mahmoud Difrawy ¹	Independent		✓
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1- Mr. Mahmoud Difrawy was appointed as a member of the Compensation Committee to replace Mr. Mohammad Al Marzouq in Q1, 2019.

The principal responsibilities of the Board Committees are detailed below:

Executive Committee

The Executive Committee assists the Board in discharging the Board’s responsibilities relating to matters including credit and market risk. The Executive Committee, acting for the Board of AUBUK, deputizes only in relation to credit and market risk approvals.

The Executive Committee has 5 members, comprising 4 Non-Executive Directors (including the Chairman) and 1 Executive Director.

Audit and Compliance Committee

The Audit and Compliance Committee is combined with the Corporate Governance Committee, and assists the Board: i) in discharging its oversight responsibilities relating to the Bank’s accounting and corporate governance (including key persons dealings and market abuse practices), internal audit controls, compliance procedures, risk management systems, financial reporting functions; ii) in liaising with the Bank’s external auditors and regulators in order to ensure compliance with all relevant regulatory requirements; and iii) in achieving uniformity with best market practices. The Audit and Compliance Committee carries out its principal responsibilities in respect of the Bank (as the parent company) and has oversight of the related responsibilities of the Audit and Compliance Committees of the Bank’s subsidiaries and managed affiliates.

The Audit and Compliance Committee has 5 members, comprising 4 Independent Directors (including the Chairman) and 1 Non-Executive Director.

Compensation Committee

The Compensation Committee reviews the Bank’s compensation and related policies and arrangements for its staff and Directors, and makes recommendations to the Board in this regard, in line with CBB guidelines and best international practice.

The Compensation Committee has 3 members, comprising 3 Independent Directors (including the Chairman).

Nominating Committee

The Nominating Committee supports the Bank’s Corporate Governance, aligning it with the regulations of the CBB Rulebook and instills a best practice approach to the matters assigned to its responsibilities, at all times acting within the criteria set by the CBB Rulebook and the relevant sections of the Bahrain Commercial Companies Law, and any other applicable legislation and following a fair and balanced approach.

The principal responsibilities of the Nominating Committee include, identifying and recommending to the Board persons qualified to become a Director or other officers of the Bank considered appropriate by the Board. The Nominating Committee also oversees the Board’s educational activities in the form of a formal induction program and on-going orientation activities and programs for the Directors.

The Nominating Committee has 5 members, comprising 4 Independent Directors (including the Chairman) and 1 Non-Executive Director.

Board Committee Evaluation

Evaluations of the performance of the Board Committees have been conducted. Applying a scoring methodology proposed by professional advisors. A rating of “Good” was achieved for the performance of the Executive Committee indicating that, on a majority of aspects, the Executive Committee functioned as required during 2019. A rating of “Excellent” was achieved for the performance of the Audit and Compliance

Committee, the Nominating Committee and the Compensation Committee indicating that the Audit and Compliance Committee, the Nominating Committee and the Compensation Committee performed in accordance with their stated roles and responsibilities during 2019.

Senior Management:

Names	Title
Adel A. El-Labban	Group CEO & Managing Director
Sanjeev Baijal	Deputy Group CEO - Finance & Strategic Development
Keith Gale	Deputy Group CEO - Risk, Legal & Compliance
Suvrat Saigal	Deputy Group CEO - Retail Banking
Shafqat Anwar	Deputy Group CEO - Operations & Technology
David O' Loan	Deputy Group CEO - Treasury & Investments
Mark Hirst	Deputy Group CEO – Private Banking & Wealth Management
Othman Hijazi	Group Head – Corporate Banking
Robert Jones	Group Head of Audit
Iman Al-Madani	Group Head Human Resources & Development
Sami Tamim	CEO - Ahli United Bank (UK) P.L.C.
Jehad Al Humaidhi	Acting CEO - Ahli United Bank K.S.C.P
Hala Sadek	Acting CEO - Ahli United Bank (Egypt) S.A.E.
Ayman El-Gammal	CEO - United Bank for Commerce & Investment S.A.L.
C.B. Ganesh	CEO - Ahli United Bank B.S.C. (DIFC Branch)
Nouri Aldubaysi	CEO – Commercial Bank of Iraq - Iraq
Said Hathout	CEO – Al Hilal Life & Al Hilal Takaful

Management Committees

The Board has established a management structure with clearly defined roles, responsibilities and reporting lines. The Bank’s management monitors the performance of the Bank, and each of its subsidiaries, and managed affiliates on an ongoing basis and reports this performance to the Board. The monitoring of performance is carried out through regular assessments of performance trends against budget, and prior periods and peer Banks in each of the markets and collectively through AUB Group committees and sub- committees at the parent bank and its subsidiary/affiliated banks’ level. Specific responsibilities, as explained below, have been delegated to

each management committee, and the minutes of all management committee meetings are sent to the Audit and Compliance Committee, in order to assess the effectiveness of these committees.

Group Management Committee

The Group Management Committee (GMC) is the collective Group management forum, providing a formal framework for effective consultation and transparent decision-making by the Group CEO & MD and senior management on cross-organisational matters. Appropriate checks and balances ensure the "four eyes" regulatory requirement is met. The Group Management Committee operates in a flexible way, with a minimum of formality and a broad mandate encompassing Group wide as well as bank and unit specific issues, as determined by the Group CEO & MD and the other members of the Group Management Committee.

The Group Management Committee is chaired by the Group CEO & Managing Director and comprises of the Bank's Deputy Group CEOs and the CEO's of the subsidiary banks and managed affiliate banks.

Group Asset and Liability Committee

The Group Asset and Liability Committee (GALCO) sets, reviews and manages the liquidity, interest rate risk, market risk and funding strategy of the AUB Group and reviews and allocates capacity on the balance sheet to achieve targeted return on capital, return on asset and liquidity ratios. It is chaired by the DGCEO-Treasury & Investment and has eight other members.

Group New Product Committee

The Group New Product Committee (GNPC) reviews and approves new products, processes and services for Private Banking & Wealth Management, Treasury, Retail, Commercial Banking and other areas of the AUB Group. GNPC assesses all related reputational, operational, credit, liquidity and market risk, IT, legal, AML, compliance, control, staffing and capital/profit allocation issues related to approving new products. The approval by the GNPC follows the new product or process development according to the New Product Approval and Development Procedure. It is chaired by the DGCEO – Private Banking and Wealth Management and has seven other members.

Group Information Technology Steering Committee

The Group Information Technology Steering Committee (GITSC) oversees the information technology role comprising: strategy formulation, prioritised implementation and delivery of Information Technology (IT) projects and Digital Transformation initiatives of the AUB Group within an acceptable, secure and standardised framework to meet conventional and Islamic banking business needs, as applicable. It is chaired by the GCEO & MD and has ten other members.

Group Risk Committee

The Group Risk Committee (GRC) reviews and manages risk asset policies, approvals, exposures and recoveries related to credit, operational and compliance risks. It acts as a general forum for the discussion of any aspect of risk facing or which could potentially face the Bank or its subsidiary and affiliated banks resulting in reputational or financial loss to the AUB Group. It also oversees the operation of the Group Operational Risk Sub-committee, the Group Special Assets Sub-committee, the Client On-boarding & AML Sub-committee and the Working Committee on IFRS9 impairment provisioning. It is chaired by the DGCEO-Risk, Legal & Compliance and has four other members.

Group Operational Risk Committee

Group Operational Risk Committee (GORC) is a sub-committee of the GRC and administers the management of operational risk throughout the AUB Group. It is chaired by the DGCEO-Operations & Technology and has nine other members.

Group Investment Committee

The Group Investment Committee (GIC) approves, reviews and manages AUB Group's proprietary investment portfolio of bonds, equities and funds. It acts as a general forum for the discussion of any aspect of investment risk faced by AUB or its subsidiary and affiliated banks. It is chaired by the DGCEO Risk, Legal & Compliance and has six other members.

Management Committee

The Management Committee (MC) is the senior collective management forum of AUB, the parent Bank, providing a formal framework for effective consultation and transparent decision-making on cross-organisational matters. Appropriate checks and balances ensure the "four eyes" regulatory requirement is met. The Committee operates in a flexible way with a minimum of formality and a broad mandate encompassing both bank-wide and unit specific issues as determined by the Chairman and its other members in relation to the business of the Bank as a legal entity. It is chaired by the DGCEO Finance & Strategic Development and has six other members.

AUB Solo Assets and Liability Committee

AUB Solo Asset and Liability Committee (ALCO) sets, reviews and manages the liquidity, interest rate risk, market risk and funding strategy of AUB Bahrain, and reviews and allocates capacity on the balance sheet to achieve targeted return on capital, return on asset and liquidity ratios. It is chaired by the DGCEO Treasury & Investment and has twelve other members.

Other Governance Measures

In addition to the Board and Management Committee structures, the Board of Directors has approved several AUB Group policies to ensure clarity and consistency in the operation of the AUB Group. These policies, which are communicated to staff, include Credit, Anti-money Laundering, Corporate Governance, Personal Account Dealing, Key Persons Dealings, Banking Integrity, Compliance, Legal and Human Resources policies.

Underpinning these policies is the Board approved Group Code of Business Conduct which prescribes standards of ethical business behavior and personal conduct for the Bank's Directors, its senior management (officers) and its staff.

The Board annually reviews and adopts compensation and related policies and closely monitors the implementation of these policies and processes with respect to the Bank's staff and Directors. The AUB Compensation Policy provides the remuneration framework for motivating employees and directors with financial motivation to deliver optimum Group performance. The policy aims at rewarding performance by individual contribution within a team-oriented approach, remunerating individuals who achieve personal, divisional and Group results and providing a long term incentive to performing staff.

The Banking Integrity Policy, which includes detailed policy and procedures on whistle blowing, is specifically designed to facilitate concerns raised regarding misconduct occurring within, or associated with, the AUB Group.

The Board has also adopted a Group Communications Policy. This policy sets out the authority of AUB Group employees with respect to the communication of information to third parties in the course and scope of their employment. The Bank has an open policy on communication with its stakeholders, which includes:

- (i) The disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and
- (ii) The provision of the last five years of financial data on the Bank's website.

The Bank is at all times mindful of its regulatory and statutory obligations regarding dissemination of information to its stakeholders.

The Bank provides information on all events that merit announcement, either on its website, www.ahliunited.com, Bahrain Bourse, and other forms of publications, such as press releases, the Bank’s annual report and quarterly financial statements, and the Corporate Governance Policy are all published on its website.

As a supporting governance measure, the Board also relies on the ongoing reviews performed by internal and external auditors on the AUB Group’s internal control functions. These reviews are conducted in order to identify any weaknesses, which then enable management to take remedial action.

Compensation Disclosures

AUB’s compensation framework is designed to attract, motivate and retain employees and to align their interests and direct their efforts towards achieving the short and medium term objectives of the AUB Group as set by the Board of Directors. Employee performance is measured not only against financial achievements but also against the effective control of risks, in the long-term interests of all the stakeholders of the Bank.

The effective oversight of the framework and the application of AUB’s compensation principles is effected through the Board of Directors, who reviews and approves on a regular basis, the HR policy including, the compensation and training & competency policies and oversees the implementation and administration of these policies and processes with respect to the Bank's employees and directors either directly or by delegation of the responsibilities to the Compensation Committee, as mandated by the CBB.

The Compensation Policy

The Compensation Policy is reviewed annually by the Board of Directors, and was last approved on 10 December 2019. The Compensation Policy incorporates the mandatory regulations issued by the CBB on Sound Remuneration Practices [HC-5 Remuneration of Approved Persons and Material Risk-Takers], which are applicable to Approved Persons and Material Risk-Takers whose total annual remuneration (including all benefits) is in excess of BD100,000 or equivalent. The Compensation Policy and related schemes have been approved by the shareholders of the Bank at the Annual General Meeting held on 31 March 2015 and have been applied to performance related employee compensation payments made for each financial year.

The Compensation Policy outlines, amongst other things, the basis and methodology for arriving at variable compensation, the basis for making allocations, how risk adjustments are made to compensation, the framework for compensation of Approved Persons and Material Risk-Takers, the conditions for deferral, malus and claw-back clauses and compliance and disclosure requirements. The policy also establishes the terms of the Mandatory Share Plan (the "MSP") and the Employee Share Purchase Plan (the "ESPP") to comply with the CBB’s regulations and delivery of the deferred variable compensation in shares. All MSP/ ESPP awards do not exceed an aggregate 10% of the total issued outstanding ordinary share capital of the Bank, at any given time.

The Compensation System

The compensation system is risk based remuneration consisting of fixed compensation for i) employees (paid in the form of monthly salaries and allowances), employee benefits and annual variable compensation for performing employees, aligned to business performance and market conditions, as mandated by the regulators of the markets that AUB operates in, and ii) directors (paid on the basis of ½ of the fees calculated on actual attendance at meetings and the remainder paid as a fixed fee).

Component	Key Features
Fixed Compensation	<ul style="list-style-type: none"> Rewards the capacity to hold a role/ position in a satisfactory manner through the employee displaying the required skills. Consists of cash salary and allowances. Payments are fixed and do not vary with performance.
Benefits	<ul style="list-style-type: none"> Ensure market competitiveness and provide benefits in accordance with local market practice. Consists of contributions to pension, social insurance, medical insurance, life insurance and health and wellness.

Variable Compensation	<ul style="list-style-type: none"> Contributions are fixed and do not vary with performance. Aims to reward collective and individual achievement of objectives defined at the beginning of the year and discretionary on extent to which objectives are achieved. Consists of cash and/ or share-based performance related compensation (MSP) deferred in part which is subject to malus and clawback. The MSP is operated by Trustees independent of the Board/ management of the Bank. Payments are linked to performance standards and maintaining risk and control parameters defined by the Bank.
Others	<ul style="list-style-type: none"> ESPP awards to motivate and retain employees with sustainable performance through the use of both pre- and post- award performance measures. Operated by Trustees independent of the Board/ management of the Bank.

The compensation system is aligned to supporting the Bank's short and medium term performance objectives and to controlling and reducing the full gamut of associated risks. It specifies the proportion of fixed and variable remuneration to be consistent with the Board approved Risk Framework. It defers portions of the variable compensation awards for the Approved Persons and Material Risk-Takers of the Bank as per the rules of the MSP, as approved by the CBB and the Board of Directors.

Role of the Compensation Committee in Governance and oversight over Remuneration

The Board of Directors has established a Compensation Committee (the "Committee") and has delegated certain of its powers and responsibilities to the Committee through its Terms of Reference. The primary responsibilities of the Committee are to provide effective oversight of and governance over the compensation strategy, structure and systems, to ensure that these are properly implemented. The aggregate compensation/ fees paid to the Committee members for 2019 amounted to US\$15,000 (2018: US\$15,000).

The Committee approves the annual aggregate amounts payable under fixed and performance related variable compensation schemes for employees. The Committee reviews and approves any material changes in employee benefits as per market trends and cost considerations and makes recommendations with regard to any other employee matters, as brought before it. The Committee reviews compensation payable to the members of the Board of Directors and makes recommendations to the Board of Directors and in this regard, in line with applicable regulations.

The Committee further reviews and tests the Compensation Policy and framework to ensure that compensation arrangements comply with applicable regulations and to ensure that the compensation system operates as intended and that effective controls exist through testing of compensation outcomes as per the Bank's risk framework. The authority matrix for the Committee is as follows:

Action	Approved by
a) Approve the Bank's annual performance bonus pool funding model based on KPI and KRI adjustments.	Compensation Committee
b) Approve the Bank's annual aggregate performance bonus based on the determined funding model.	Compensation Committee
c) Approve the criteria for performance based distribution of the Bank's annual performance bonus.	Compensation Committee
d) Approve the performance scores, annual increment % and annual performance bonus monthly salary multiples for Approved Persons and Material Risk Takers of the Bank	Compensation Committee
e) Approve the aggregate performance distribution, annual actual salary increment and actual performance bonus amount for the Bank.	Compensation Committee

Types of Compensation

Compensation for employees includes fixed compensation, allowances and performance related incentives (short-term and long-term variable compensation) in cash or shares, each as defined and approved by the Compensation Committee. Compensation for the Board of Directors is explained below.

External Consultants

Consultants are appointed on an ad hoc basis to advise the Bank on revisions to the Compensation Policy, if any and on regulations and market best practices including providing consulting advice for the deferred share/equity-linked schemes.

Compensation of the Board of Directors

The Compensation Committee annually reviews the compensation of the Board of Directors and its related Committees to ensure compliance with the CBB RuleBook, within the relevant Commercial Companies Law requirements and the Articles of Association of the Bank. The Bank is in compliance with the CBB Rule Book HC Module 5.2.1 (c) which requires that the compensation of the Board of Directors is linked to attendance and performance. Board of Directors and its committees' compensation is pro-rated and paid on the basis of actual attendance and membership. Compensation for the Board of Directors and its related committees is submitted to the shareholders at the Annual General Meeting each year for approval.

The Bank is in compliance with its Articles of Association requiring that total compensation for Directors (excluding sitting fees) is capped at 10% of the Bank's NPAT for 2019, after all the required deductions outlined in Article 188 of the Bahrain Commercial Companies Law, 2001.

The compensation of Non-Executive Directors for 2019 does not include any performance-related elements such as shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits, in compliance with the CBB Rule Book HC Module 5.5.1.

AUB employees who represent or who are appointed by AUB to represent it at the Boards or Board Committees of its subsidiaries or affiliates are precluded from receiving any remuneration relating to their appointments, as per the terms of their employment contracts. Employees do not receive any additional remuneration for their participation in any management committees.

The Approved Persons and Material Risk Takers of the Bank do not receive remuneration, incentives, performance payments, commission, fees, shares, consideration in kind or other direct benefits of any kind from any projects or investments managed by the Bank or promoted to its customers or potential customers. This applies to all Approved Persons and Material Risk Takers including those appointed as members of the Board of any special purpose vehicles or other operating companies set up by the Bank for special projects or investments.

All Board of Directors' and related Committees' fees or other forms of compensation (except actual expenses) payable to AUB appointed Directors are fully credited to the Bank. Such directors are, however, reimbursed for reasonable and customary expenses such as communication, transportation, boarding and lodging as per the AUB HR Policy.

AUB Compensation Framework, Performance Bonus Pool Calculation and Risk Adjustments

Compensation decisions are made at the end of each financial year based on a combination of:

- Business performance against set objectives as per the annual operating plan;
- Risk objectives, KPI's and KRI are based on the Board approved Risk Framework.
- Compliance with applicable regulatory guidelines and local market practices.

Performance bonus for Approved Persons and Material Risk Takers are payable at the end of the financial year as follows:

- Business Functions: Group CEO & MD, DGCEO Retail Banking, DGCEO Treasury & Investments, DGCEO Private Banking & Wealth Management, Group Head Corporate Banking and Group Head Treasury;
- Support Functions: DGCEO Finance & Strategy, DGCEO Risk, Legal & Compliance, DGCEO Operations & Technology, Group Head Audit, Group Head HR&D, Group Head Finance, Group Head Compliance, Group Head Legal & Corporate Affairs, Group Head Risk Management.

Performance Bonus	Regulated Roles (Approved Persons and Material Risk Takers)	All other employees
Cash (Immediate)	<ul style="list-style-type: none"> • 40% for Business functions and direct reports to the GCEO & MD. • 50% for Control & support functions. 	<ul style="list-style-type: none"> • 100% immediate
Deferred	<ul style="list-style-type: none"> • 60% for Business functions and direct reports to the GCEO & MD deferred, of which 10% may be deferred in cash and the balance 50% deferred in exercisable MSP Options. • 50% for Control & support functions deferred in exercisable MSP Options. 	<ul style="list-style-type: none"> • Nil

Key features of the compensation framework, that enables AUB to achieve the appropriate balance between risk and reward, include:

Framework	Key Features
Business Performance and KPI's and KRI's	<ul style="list-style-type: none"> • The Committee reviews and approves the framework linking individual performance to the Bank's performance which formulates the annual accrual of the Variable Compensation pool for the Bank based on achievement of specified Key Performance Indicators ("KPI") which reflects Bank Performance for 2019. • The Committee reviews and ensures the Key Risk Indicators ("KRI") which reflects the compliance of the Bank with the Board approved Risk Framework for 2019.
Performance Measures	<ul style="list-style-type: none"> • KPI's and KRI's measure the actual financial and operational performance against budgets and as per the Board approved Risk Framework and may include: Net Profit after Tax (NPAT)/ Return on average assets (ROAA)/ Return on average equity (ROAE) / Cost to income ratio/ Audit ratings/ Non-performing loans (NPL) as % of gross loans and/ or capital adequacy ratio. • Performance-related variable compensation at AUB aims at recognizing and rewarding the employees' contribution beyond their regular job requirements, particularly those contributions that increase the Bank's productivity and profitability in a prudent and sustainable manner.
Performance bonus pool calculation	<ul style="list-style-type: none"> • The performance bonus pool is aligned to and accrued based on the Bank's short or long term financial performance and adjusted for compliance with the risk framework. • The Committee reviews the accrual of the performance bonus pool for the Bank and ensures that it is based on the overall performance of the Bank and is accrued as a percentage of Net Profit after Tax (the "NPAT") for the preceding financial year and is in compliance to the risk-adjusted performance as per the Board approved Risk Framework. • Fines, penalties by regulators and non-compliance to the Risk Framework results in reduction in the overall profit achievement as assessed by the Committee.

Deferral of performance bonus	<ul style="list-style-type: none"> As per CBB guidelines, a significant portion of the variable performance bonus for Approved Persons and Material Risk-Takers whose annual salaries are BD100K (- c.US\$256K) are mandatorily deferred into AUB equity shares under the MSP to tie recipients to the future performance of the Group and business units, as approved by the AUB AGM. The grant of the awards are recommended by the Committee and are in the form of options to purchase AUB shares for Approved Persons and Material Risk Takers who achieve a minimum performance rating of Meets Expectations/ Satisfactory, who are eligible for a cash performance bonus, have no disciplinary action being taken against them and have not served/ been served notice of termination of employment for the performance period preceding the Grant Date.
Malus/ Clawback	<ul style="list-style-type: none"> Awards of deferred variable compensation for the designated Approved Persons and Material Risk Takers of the Bank may be reduced or clawed back in certain circumstances as defined in the specific MSP/ ESPP Rules.
Incentive Compensation	<ul style="list-style-type: none"> The Bank does not operate any incentive or commission based sales plans for full-time employees.

Review of Performance and Compensation arrangements of Approved Persons and Material Risk Takers at AUB

The performance measurement and the compensation arrangements for designated Approved Persons and Material Risk Takers of the Bank for 2019 is reviewed and approved by the Compensation Committee and is subject to changes in total individual compensation and/ or to changes in the organizational structure and business model. Performance assessment of regulated roles is as per the following framework:

Level	Area	Group Objectives	Function Objectives
Group CEO & Managing Director	(Business)	100%	-
Approved Persons	(Business)	60%	40%
	(Support)		

The above performance measurement ensures that employees place adequate focus on their core objectives, while Heads of business functions are measured against both Group business performance and development of their respective functions, and Heads of control/ support functions are measured against core control and risk objectives related to their functions and development of their respective functions independent to business performance targets.

The individual allocations of variable compensation components for the designated roles are correlated with the annual individual performance appraisal that takes into account the extent to which quantitative and qualitative objectives have been met. The objectives for these individuals are clearly identified and can be assessed by indicators that are known to the employee.

The qualitative objectives are tailored to the individual employee, in relation to the employee's professional activity and adapted to the position held. These objectives include the quality of risk management, the means and behaviors used to achieve results such as co-operation, teamwork and human resources management.

The performance appraisal process and the subsequent performance bonus allocation process is managed and documented by group human resources and its conclusions are submitted for approval to the Committee.

The variable compensation awarded to the Approved Persons and Material Risk-Takers is based on the Bank's short or long term financial performance as adjusted for all types of risk, and are subject to reduction in case of the Bank's poor or negative financial performance. The compensation report for the Bank includes the regulated roles for 2019 who are Approved Persons in business lines – 6 (2018: 8), Approved Persons in control functions – 9 (2018: 10) and no other material risk takers. Other employees in Bahrain – 688 (2018: 645) and employees in subsidiaries of the Bank – 2,419 (2018: 2,360).

Group Compliance with Compensation Rules

AUB Group's compliance is primarily aligned to its primary regulator, the CBB and unless is divergent with local regulations, applies to its subsidiaries and branches in other markets.

AUB GROUP:

Compensation Regulation	Compliance by AUB
External Review	<ul style="list-style-type: none"> The Compensation Policy for Material Risk-Takers and Control functions is reviewed annually by the external auditors of the Bank and conferred to be compliant and further inspected by the CBB (last inspection occurred in April 2018) and found to be fully compliant of the regulations with no adverse findings.
Reduction of bonus pool	<ul style="list-style-type: none"> The Committee at its discretion may propose to reduce or reduce to nil the bonus accrual for the Bank and each line of business and/ or the allocation pool of accrued bonus to businesses if there is a material reduction in the profitability of the Bank or the individual line of business. The Committee shall use its discretion to determine whether the particular business is incurring losses due to a start-up or turnaround situation, in which case, bonus accrual, allocation and pay-out may be allowed to occur.
Guaranteed/ Sign-on Bonus	<ul style="list-style-type: none"> The Bank does not provide to any employee any form of guaranteed bonus as part of an employment offer or contract of employment. Severance compensation (except notice period for a maximum period of 3 months) is prohibited except when the Bank provides for it on liquidation of a particular business or on closure of a unit.
Personal Hedging Strategies	<ul style="list-style-type: none"> The Bank takes formal commitments from employees to not use personal hedging strategies or compensation and liability-related insurance to undermine the risk alignment effects embedded in their compensation arrangements by providing a signed adherence to the prohibitions on hedging.
Subsidiaries	<ul style="list-style-type: none"> Employees of the Bank who represent or who are appointed by AUB to represent it at the Boards or their Committees of subsidiaries or affiliates are excluded from receiving any remuneration relating to their appointments as per their contractual terms.
Governance of Compensation Policy	<ul style="list-style-type: none"> All members of the Committee are Independent Directors. The Committee sets the principles, parameters and governance framework of the Group's Compensation Policy applicable to all Group employees. The Committee reviews AUB's compliance to the Board Risk Framework as presented to it by the DGCEO Risk, Legal and Compliance.
Employees in control functions are independent and are compensated based on functional objectives	<ul style="list-style-type: none"> Individuals in control functions have independent reporting lines through the functions rather than through the business. Control functions are represented in all senior management committees. Control functions especially key ones of Risk and Audit have direct reporting lines to their respective Board Committees. Performance and compensation related recommendations and inputs are taken from respective Board Committees for evaluating performance or setting compensation for heads of control functions.
Total performance bonus pool does not limit the Bank's ability to strengthen capital base	<ul style="list-style-type: none"> Group Performance Bonus Pool is determined based on evaluation of financial performance and compliance to objectives outlined in the Risk Framework. Funding of the Group's performance bonus pool is based to overall profitability of the Group. Capital adequacy and returns to shareholders are also an important factor in calculation of the bonus pool. AUB makes a modest cash dividend payout ranging from 50-55% of annual NPAT. Bonus payout to staff represents 4.6% of NPAT in 2019 and has averaged 4.9% of NPAT over the last 5 years.
Performance bonus adjusts for all types of	<ul style="list-style-type: none"> NPAT performance is adjusted for appropriate current and future risks. The Committee exercises its judgement to ensure the performance bonus pool reflects the overall performance of the Group including compliance to Risk Framework.

current and future risks	
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Details of Compensation Paid to Members of the Board of Directors

Total Value of Compensation for the fiscal year:	2019 (Amounts in US\$' 000)	2018 (Amounts in US\$' 000)
Compensation for the Board of Directors and related committees	2,141	2,231
Others (Expenses for the Board)	94	83

Details of Compensation Paid to Employees

Amounts in US\$' 000	2019				Total Compensation
	Fixed Compensation		Variable Compensation		
	Unrestricted cash and allowances	Unrestricted others ¹	Cash	Deferred Equity Instruments/ Shares ²	
Approved persons - business lines	4,287	1,934	1,192	1,753	9,166
Approved persons – control	3,365	898	866	998	6,127
Other staff – Bahrain operations	35,163	17,249	9,224	-	61,636
Staff in subsidiaries	81,372	24,724	16,052	-	122,148
Total	124,187	44,805	27,334	2,751	199,077

Amounts in US\$' 000	2018				Total Compensation
	Fixed Compensation		Variable Compensation		
	Unrestricted cash and allowances	Unrestricted others ¹	Cash	Deferred Equity Instruments/ Shares	
Approved persons - business lines	4,748	2,829	1,101	1,652	10,330
Approved persons – control	3,391	1,251	831	935	6,408
Other staff – Bahrain operations	33,811	16,803	8,480	-	59,094
Staff in subsidiaries	80,601	24,513	15,893	-	121,007
Total	122,551	45,396	26,305	2,587	196,839

¹ Others include direct charges such as social security contributions, end of service indemnity accrual charges, life insurance and medical premiums, club memberships, house lease rentals, school fees, vacation air fare, fair value charges for the employee share purchase program and indirect employee expenses such as training, recruitment, Government levies and other costs.

No guaranteed or sign-on bonuses and/ or separation payments have been paid. These tables include employees in service for part of the year.

Deferred Performance Bonus Awards

Awards	2019				
	Cash	Shares		Others	Total
	(US\$'000)	Nos.	(US\$'000) ²	(US\$'000)	(US\$'000)
Opening balance ¹	0	20,593,277	6,074	0	6,074
Awarded during the year	0	6,605,213	2,587	0	2,587
Exercised/ Sold during the year	0	(16,891,123)	(4,982)	0	(4,982)
Risk Adjustments	0	0	0	0	0
Closing balance	0	10,307,367	3,679	0	3,679

Awards	2018				
	Cash	Shares		Others	Total
	(US\$'000)	Nos.	(US\$'000) ²	(US\$'000)	(US\$'000)
Opening balance ¹	-	14,349,749	4,410	-	4,410
Awarded during the year	-	7,444,378	2,581	-	2,581
Exercised/ Sold during the year	-	(2,989,100)	(919)	-	(919)
Risk Adjustments	-	-	-	-	-
Closing balance	-	18,805,027	6,072	-	6,072

¹ Inclusive of bonus shares issued.

² Based on price at award date.