

Corporate Governance report

Good corporate governance is considered central to achieving the Bank's objectives and fundamental in maintaining a leading position within the local and regional banking sectors.

BBK takes pride in ensuring exceptional standards of corporate governance are met. Our Corporate governance policy is underpinned by international standards of best practice.

Initiatives in 2014

BBK implemented initiatives in 2014 to enhance the corporate governance practices at the Bank. These include continuing reviewing the corporate governance framework and policies, Board Committees' charters and all other Bank policies – especially risk management policies by the Board. An external firm was appointed to perform the evaluation of the Board and its Committees. The process included improved questionnaires relevant to the banking sector, interviews with the management and the Board members for expressing their views freely and was concluded with recommendations for improvement. Furthermore, enhanced disclosures were published in the annual report. The corporate governance section on the website was revamped and a new Board resolution register with the objective of keeping record of all Board and Board Committees' decisions for the ease of retrieval of those resolutions was developed.

The Board has also approved new remuneration policies and a new training and competency policy to comply with the CBB requirements. A full training schedule was approved by the Board for the year 2015 to cater for the same. Consequently, the Board has approved amendments to the terms of reference of the Nomination, Remuneration, and Corporate Governance Committee to reflect the issues mentioned above.

Corporate governance philosophy

BBK shall continue its endeavour to enhance shareholders' value, protect their interests, and defend their rights by practising the pursuit of excellence in corporate life. The Bank shall not only comply with all statutory requirements – including the Corporate Governance Code of the Kingdom of Bahrain and the High Level Controls Module of the Central Bank of Bahrain – but also formulate and adhere to strong corporate governance practices.

BBK shall continuously strive to best serve the interests of its stakeholders including shareholders, clients, employees and the public at large.

The adoption and implementation of corporate governance is the direct responsibility of the Board of Directors, and this endeavour is in line with the policies of regulatory authorities and statutory requirements in the Kingdom of Bahrain and other countries where BBK operates.

Risk appetite statement

Risk appetite is the level and type of risk which the Bank is willing to assume, in order to achieve its strategic and business objectives keeping in perspective the obligations to its stakeholders.

Risk appetite of the Bank is both a qualitative and quantitative measure and reflects its level of risk tolerance in normal as well as in stressed scenarios. It is expressed as a measurable key performance indicator (KPI), a tolerance limit or as a qualitative guideline.

The Bank has a well-defined Risk Appetite Framework, that consists of the Risk Appetite Statement along with (a) well defined performance metrics in the form of KPIs, (b) risk limits, exposure criteria, restrictions and controls, lending and investment standards as laid out in the internal risk policies and procedures manual, (c) capital and liquidity benchmarks which are monitored in the Asset Liability Management Committee meetings, (d) key business and risk management objectives, goals and strategy which are defined in business, investment and risk management strategies, and (e) management and oversight structures in the Bank through Management and Board committees. Our risk appetite defines the desired performance levels which, in turn, are embedded into management of the various risks within the Bank as well as the Capital of the Bank. Our risk appetite is integrated into the strategic, capital, and risk management planning process across business verticals.

The Bank measures the contribution of each business vertical towards key KPIs.

The Bank aims towards optimising the risk-reward for the benefit of all stakeholders and it is reviewed and implemented through strategies (business, investment, risk management, ICAAP), which are closely reviewed annually. The Bank's primary exposure is to credit risk along with other Pillar 1 and Pillar 2 risks assumed in the normal course of its business. The risk appetite statement is also reviewed through a Risk Management Strategy document by the Management and recommended for approval to the Risk Committee and the Board annually. The Bank's risk appetite requires, amongst other things,

- A high level of integrity, ethical standards, respect and professionalism in our dealings
- Taking only those risks which are transparent and understood and those which can be measured, monitored, and managed
- Ensuring that the Bank has adequate levels of capital adequacy on an ongoing basis as mandated by the regulator and as assessed by the Bank in its ICAAP document; that the capital requirements and capital planning are incorporated in its capital management strategy
- Ensuring that the Bank has access to adequate levels of stable, efficient, and cost-effective funding to support liquidity and lending or investing requirements on an ongoing basis; that the Bank has in place a robust liquidity management framework and contingency plans to monitor and manage liquidity both on normal and stress liquidity conditions in addition to monitoring key liquidity ratios (internal and regulatory) in Asset Liability Management Committee meetings on a monthly basis
- Adhering to the core principles of lending which are enshrined in the general lending policy of the Bank

Leadership matters

- Maintaining a robust credit management framework with focus on geographies where the Bank has physical presence (Kuwait, India, Dubai), GCC, and select MENA and other countries; undertaking exposures to countries within the directives of the Country Risk Committee, which reviews country risk and the Bank's strategy in those countries on a dynamic basis.
- Having in place a defined monitoring, collection and restructuring framework for effective recovery mechanism
- Limiting exposures to high – risk activities which may culminate into tail-end risks jeopardising Bank's capital and credit worthiness
- Striving for optimum profitability through income generation, cost efficiency, and low impairment
- Assessing new credit products in a structured form for approval by appropriate authorities so that the underlying risks, benefits, operational processes, system requirements and legal requirements are understood and managed

- Protecting the Bank's and the customers' interest through robust operational procedures, internal controls, system support, training and operational risk management process to mitigate operational risk
- Ensuring full compliance with legal, statutory, and regulatory requirements; ensuring adherence to anti-money laundering (AML) and other obligations under International law; providing adequate training and guidance to mitigate compliance and AML risks
- Targeting an external credit rating which is, at worst, one notch lower than the sovereign rating.

Shareholder information

BBK's shares are listed on the Bahrain Bourse. The Bank has issued 1,030,140,907 equity shares, each with a face value of 100 fils. All shares are fully paid.

Annual Ordinary General Meeting and Extraordinary General Meeting

The Annual Ordinary General Meeting (AGM) and the Extraordinary General Meeting (EGM) were held on 12 March 2014 marking a new term for the Board.

The EGM resolved to approve increasing the Bank's issued and paid – up capital by granting 10 percent bonus shares to the shareholders. Further, the EGM resolved to approve amendments to the Memorandum of Association and Articles of Association due to the increase in issued and paid – up capital. Seven Directors were elected by the AGM in addition to five Directors appointed by the major shareholders at the meeting. The meeting minutes of the AGM and the EGM are published in this annual report.

The Bank submits a corporate governance report to the AGM annually covering the status on compliance with the related regulatory requirements. Any material non compliance issues are also highlighted in the meeting. The Bank discloses and/or reports to the shareholders at the AGM the details under the Public Disclosure module of the Central Bank of Bahrain's Rule Book. Such disclosures include the total remuneration paid to the Board of Directors, the executive management and the external auditors. The total amount paid to directors and executive management is also contained in the annual report.

Shareholders

Name	Country of origin	Number of shares	% holding
Citizens of the Kingdom of Bahrain and others	–	215,550,121	20,92
Ithmaar Bank	Kingdom of Bahrain	261,421,933	25,38
Social Insurance Organisation (SIO)	Kingdom of Bahrain	193,352,656	18,77
– Pension Fund Commission – General Organisation for Social Insurance (GOSI)		137,423,639	13,34
Kuwait Investment Authority	State of Kuwait	192,599,989	18,70
Gimbal Holding Company S.P.C	State of Kuwait	19,312,583	1,87
Global Investment House	State of Kuwait	10,479,986	1,02

Distribution schedule of each class of equity

Category	Number of shares	Number of shareholders	% Of outstanding shares
Less than 1%	215,550,121	2,384	20,92
1% to less than 5%	29,792,569	2	2,89
5% to less than 10%	-	-	-
10% to less than 20%	523,376,284	3	50,81
20% to less than 50%	261,421,933	1	25,38
50% and above	-	-	-

Board of Directors' information

Board composition

The Board composition is based on the Bank's Memorandum of Association and Articles of Association and comprises 12 members. The Board represents a mix of high-level professional skills and expertise. Furthermore, in compliance with the corporate governance requirements, the Board Committees consist of members with adequate professional backgrounds and experience. One of the Directors was approved by Central Bank of Bahrain (CBB) to be considered an independent Director. Consequently, the Board has five independent Directors. The Board periodically reviews its composition and the contribution of Directors and Committees.

The appointment of Directors is subject to CBB approval. The classification of 'Executive' Directors, 'Non-Executive' Directors and 'Independent Non-Executive' Directors is as per definitions stipulated by the CBB. The current term of the Board started in March 2014 and shall end in March 2017.

In March 2014, a new member representing Kuwait Investment Authority (KIA) was appointed, namely Dr Nayef Falah Al Hajraf, replacing Dr AbdulMohsen Medej Mohammed Al Medej who submitted his resignation to the Board in January 2014 due to his appointment as Deputy Prime Minister and Minister of Commerce and Industry in the State of Kuwait. Consequently, Dr Nayef Falah Al Hajraf submitted his resignation to the Board in August 2014 due to his appointment as a Chairman of the Capital Markets Authority in the State of Kuwait. Presently, the Board has 12 members.

Directors are elected/appointed by the shareholders at the AGM. Experts who are non-shareholders or promoters of the Bank may also be elected as Directors. Election or re-election of a Director at the AGM shall be accompanied by a recommendation from the Board, based on a recommendation from the Nomination, Remuneration, and Corporate Governance Committee with specific information such as biographical and professional qualifications and other directorships held.

Corporate Secretary

The Board is supported by the Corporate Secretary who provides professional and administrative support to the General Assembly, the Board, its Committees and members. The Corporate Secretary also assumes the responsibilities of the Corporate Governance Officer and in this context supports the processes of performance evaluation for the Board, the Board Committees, and individual Directors as well as the process of access to independent advice and other relevant issues. The appointment of the Corporate Secretary is subject to the approval of the Board.

BBK's Corporate Secretary is Ahmed A. Qudoos Ahmed who joined the Bank in 2009. His qualifications include a BSc in Engineering from the University of Bahrain in 1996 and he has since attended many advance, training programmes in corporate governance both in Bahrain and abroad accumulating over 18 years of experience in the financial sector.

Directors' roles and responsibilities

The Board of Directors oversees the implementation of the Bank's strategic initiatives and its functioning within the agreed framework, in accordance with relevant statutory and regulatory structures. The Board ensures the adequacy of financial and operational systems and internal control, as well as the implementation of Corporate Ethics and the Code of Conduct.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Bank rest with the Board. This includes strategic issues and planning, performance reviews, material acquisition and disposal of assets, capital expenditure, authority levels, appointment of auditors, and review of the financial statements, financing and borrowing activities including annual operating plan and budget, ensuring regulatory compliance, and reviewing the adequacy and integrity of internal controls.

The Board shall exercise judgment in establishing and revising the delegation of authority for Board Committees and Management. This delegation could be for authorisation of expenditures, approval of credit facilities, and for other corporate actions. Such delegation may be approved and expressed under various policies of the Bank. The thresholds for the identified authorities will depend upon the operating requirements of the Bank.

The issues of major capital expenditure, divestitures, mergers and acquisitions, certain strategic investments would be within Board's authority.

Each Director holds the position for three years, after which he must present himself to the Annual General Meeting of shareholders for reappointment. The majority of BBK Directors (including the Chairman and/or Deputy Chairman) are required to attend the Board meetings in order to ensure a quorum. The Board Charter is published on the Bank's website.

Material transactions that need Board approval

Lending transaction to Directors at a certain level of exposure, require Board approval. Also credit and investment applications exceeding certain pre-defined exposure levels require approval of the Board.

Similarly, related party transactions relating to members of the Board require approval of the Board.

Independent professional assistance

The Bank has procedures approved by the Board for allowing Board members to obtain independent professional advice relating to the affairs of the Bank or to their individual responsibilities as members subject to approval by the Board.

Director's induction and professional development

The Board is required to be up to date with current business, industry, regulatory and legislative developments and trends that will affect the Bank's business operations. Immediately after appointment, the Bank will provide a formal induction. Meetings will also be arranged with executive management and the Bank's auditors. This will foster a better understanding of the business environment and markets in which the Bank operates. A continuing awareness programme is essential and it may take many different forms, through distribution of publications, workshops, presentations at Board meetings and attendance at conferences encompassing topics on directorship, business, industry, and regulatory developments.

Board and Committee evaluation

The Board performs a self-evaluation on an annual basis. The Board annually reviews its Charter and its own effectiveness and initiates suitable steps for any amendments. The Board will also review self-evaluations of the individual Board members and the Board Committees and consider appropriately any recommendations arising out of such evaluation. The relevant policy is published on the Bank's website.

Remuneration of Directors

The Board has adopted a remuneration policy for Directors with well-defined procedures to apply to the Directors' various remuneration and compensation components, reflective of their involvement and contributions in the activities of the Board of Directors and its ad hoc, temporary and permanent committees. The basic guideline of the policy is that the participation would be considered in terms of attendance in meetings. Participation in a meeting via telephone/video conference shall be considered an attendance of the meeting. The members of the Board are treated equally when they are compensated for additional work or effort in their participation. Directors' remuneration is governed by Commercial Companies Law No 21 for the Year 2001 and therefore all payments comply with the provision of the law.

Whistle-blowing policy

The Bank has a whistle-blowing policy with designated officials to whom the employee can approach.

The policy provides adequate protection to the employees for any reports in good faith. The Board's Audit Committee oversees this policy. The whistle-blowing policy is published on the Banks' website.

Key persons (KP) policy

The Bank has established a 'Key Persons' policy to ensure that key persons are aware of the legal and administrative requirements regarding holding and trading of BBK shares, with the primary objective of preventing abuse of inside information. Key persons are defined to include the Directors, executive management, designated employees and any person or firm connected to the identified Key Persons. The ownership of the 'Key Persons' policy is entrusted to the Board's Audit Committee. The 'Key Persons' policy is posted on the Bank's website.

Code of Conduct

The Board has an approved Code of Conduct for BBK Directors. The Board has also approved a Code of Ethics for the Executive Management and employees. These codes outline areas of conflict of interest, confidentiality, and the responsibilities of signatories to adhere to best practices. The high level responsibility for monitoring the codes lies with the Board of Directors. The Director's Code of Conduct is published on the Bank's website.

Conflict of interest

The Bank has a documented procedure for dealing with situations involving conflict of interest of Directors. In the event of the Board or its Committees considering any issues involving conflict of interest of Directors, the decisions are taken by the full Board/Committees.

The concerned Director shall leave the meeting room during the discussions of these issues. These events are recorded in the Board/Committees proceedings. The Directors are required to inform the entire Board of conflicts of interest (potential or otherwise) in their activities with, and commitments to, other organisations as they arise and abstain from voting on the matter. This disclosure includes all material facts in the case of a contract or transaction involving the Director.

Corporate social responsibility

BBK's contribution towards the well-being of the community is an integral part of its corporate role. This corporate social responsibility is translated by the Bank through annual appropriation of a budget allocated for donations to finance community related projects and initiatives. The projects may vary in nature but ought to fall into any one of the following fields: charity, culture, research, education, philanthropy, environmental protection, and sports.

BBK has an approved high-level donation policy for the distribution of the donation budget. The policy outlines guiding principles and sets criteria for the evaluation and selection of donation requests with the ultimate objective of maximising the return on both the Bank's social image and the benefit of the community.

Disclosures relating to Board of Directors

Directors' external appointments

Murad Ali Murad		
Chairman of the Board	Bahrain Kuwait Insurance Company (BSC)	Kingdom of Bahrain
Chairman of the Board of Trustees	Human Resources Development Fund in Banking Sector	Kingdom of Bahrain
Member	Council of Vocational Training in Banking Sector	Kingdom of Bahrain
Chairman of the Board	AlJanabya Company WLL (Family Company)	Kingdom of Bahrain
Aref Saleh Khamis		
Undersecretary	Ministry of Finance	Kingdom of Bahrain
Chairman	Social Insurance Organization (SIO)	Kingdom of Bahrain
Deputy Chairman	Future Generation Fund – Ministry of Finance	Kingdom of Bahrain
Deputy Chairman	Qatar-Bahrain Causeway Foundation	Kingdom of Bahrain
Alternate Board Member	Arab Shipbuilding and Repair Yard Co (ASRY)	Kingdom of Bahrain
Member	Supreme Council for Health	Kingdom of Bahrain
Member	Sh Mohammed bin Khalifa bin Salman Al Khalifa Cardiac Centre	Kingdom of Bahrain
Member	King Hamad Hospital Consultative Board	Kingdom of Bahrain

Mohamed Abdulrahman Hussain		
Board Member and Chairman of Executive Committee	Solidarity Group Holding BSC ©	Kingdom of Bahrain
Vice-Chairman and Chairman of Executive Committee	Eskan Bank BSC ©	Kingdom of Bahrain
Board Member	Investcorp Saudi Arabia Investment Company	Kingdom of Saudi Arabia
Board Member	The K Hotel	Kingdom of Bahrain

Jassem Hasan Ali Zainal		
Chairman and CEO	Arzan Financial Group for Financing and Investment	State of Kuwait
Deputy Chairman and Acting CEO	Addax Investment Bank	Kingdom of Bahrain
Board Member	Kuwait International Bank	State of Kuwait
Board Member	Automated System Company	State of Kuwait
Board Member	Al-Masah Capital Limited	Dubai, UAE
Board Member	Al-Oula Geojit Capital Company	Kingdom of Saudi Arabia
Board Member	Miami International Securities Exchange LLC (MIAX)	United States of America

Dr. Zakareya Sultan AlAbbasi		
CEO	Social Insurance Organization (SIO)	Kingdom of Bahrain
Board Member	Osool Asset Management BSC ©	Kingdom of Bahrain
Board Member	Eskan Bank BSC ©	Kingdom of Bahrain

Sh. Abdulla bin Khalifa bin Salman Al Khalifa		
Chief Executive Officer	Osool Asset Management BSC ©	Kingdom of Bahrain
Chairman	SICO Investment Bank BSC ©	Kingdom of Bahrain
Chairman	Muharraq Mall Company WLL	Kingdom of Bahrain
Board Member	BFC Group	Kingdom of Bahrain

Sh. Khalifa bin Duajj Al Khalifa		
President	Court of HRH the Crown Prince	Kingdom of Bahrain
Board Member	Crown Prince's International Scholarship Programme	Kingdom of Bahrain
Board Member	Isa Bin Salman Educational Charitable Trusts	Kingdom of Bahrain
Board Member	Palm Capital Company WLL	Kingdom of Bahrain
Board Member	Arab Thought Foundation	Lebanon

Marwan Mohammed Al Saleh		
Director of Fixed Income	Kuwait Investment Authority	State of Kuwait
Board Member	Kuwaiti Egyptian Investment Company	Egypt

Mutlaq Mubarak Al Sanei		
Director Follow-up Department	Kuwait Investment Authority	State of Kuwait
Chairman	Tri International Consulting Group (TICG)	State of Kuwait
Vice Chairman	The Arab Investment Company	Kingdom of Saudi Arabia
Board Member	Kuwait Economic Society	State of Kuwait

Elham Ebrahim Hasan		
Managing Partner	Elham Hasan SPC	Kingdom of Bahrain
Chairman	Health Corp Middle East Limited	Kingdom of Bahrain
Chairman	Taaheel Healthcare	Kingdom of Bahrain
Board Member	BNP Paribas Investment Company	Kingdom of Saudi Arabia
Board Member	Solidarity Group Holding BSC ©	Kingdom of Bahrain

Yusuf Saleh Khalaf		
Managing Director	Vision Line Consulting WLL	Kingdom of Bahrain
Board Member	Eskan Bank BSC ©	Kingdom of Bahrain
Board Member	SICO Investment Bank BSC ©	Kingdom of Bahrain

Hassan Mohammed Mahmood		
Board Member	Faisal Finance (Maroc) SA	Morocco
Board Member	Overland Capital Group Inc	United States of America
Board Member	Egyptian Investment Company	Egypt
Board Member	Islamic Investment Company of Gulf (Bahamas) Limited	Bahamas
Board Member	Gulf Financing Investment Company	Egypt
Board Member	Egyptian Company for Business Trade	Egypt
Board Member	Faisal Islamic Bank of Egypt till 31 March 2014	Egypt
Board Member	Ithraa Capital	Kingdom of Saudi Arabia

Directors' and related parties' interests

The number of shares held by Directors as of 31 December 2014 was as follows:

Name of Director	Type of shares	31 Dec 2014	31 Dec 2013
Murad Ali Murad	Ordinary	813,312	739,379
Pension Fund Commission/Aref Saleh Khamis (1)	Ordinary	127,050	115,500
Mohamed Abdulrahman Hussain	Ordinary	127,050	115,500
Jassem Hasan Ali Zainal	Ordinary	181,225	164,750
GOSI/Dr Zakareya Sultan AlAbbasi (2)	Ordinary	121,000	110,000
Sh Abdulla bin Khalifa bin Salman Al Khalifa	Ordinary	121,000	110,000
Sh Khalifa bin Duajj Al Khalifa	Ordinary	605,000	550,000
Kuwait Investment Authority/Mutlaq Mubarak Al Sanei (3)	Ordinary	121,000	110,000
Ithmaar Bank/Mrs Elham Ebrahim Hasan (4)	Ordinary	121,000	110,000
Yusuf Saleh Khalaf	Ordinary	121,000	110,000
Ithmaar Bank/Hassan Mohammed Mahmood (4)	Ordinary	181,500	165,000

(1) Qualifying shares related to Mr Aref Saleh Khamis are part of the whole shares of the Pension Fund Commission ownership.

(2) Qualifying shares related to Dr Zakareya Sultan AlAbbasi are part of the whole shares of the General Organisation for Social Insurance (GOSI) ownership.

(3) Qualifying shares related to Mr Mutlaq Mubarak Al Sanei are part of the whole shares of the Kuwait Investment Authority ownership.

(4) Qualifying shares related to Mrs Elham Ebrahim Hasan and Mr. Hassan Mohammed Mahmood are part of the whole shares of Ithmaar Bank ownership.

Related parties: AlJanabeya Company owns 440,786 shares and is related to the Chairman of the Board.

Nature and extent of transactions with related parties during 2014: On 09/10/2014 AlJanabeya Company WLL (A family company Owned by Mr Murad Ali Murad and his family) purchased a total of 200,000 shares

Approval process for related parties' transactions: The Bank has a due process for dealing with transactions involving Directors and related parties. Any such transaction will require the approval of the Board of Directors.

Material Contracts and loans involving Directors:

Name of the Director	Relationship with Director	Purpose of loan	Amount of loan	Interest Rate	Terms of payment of interest	Repayment of the principal	Security
Murad Ali Murad	Chairman	Personal banking needs	BD 300,000	Fixed deposit rate over 1% p.a.	On demand	On demand	100% cash collateral
Jassem Hasan Ali Zainal	Board Member	Personal banking needs	BD 25,000 (USD 60,000)	LIBOR + 3%	On demand	On demand	Shares 38.8% plus fixed deposit of 2%
			BD 115,000	BIBOR + 3%			

Note: The materiality amount for such disclosures is considered above BD 100,000.

Directors' trading of Bank's shares during the year 2014

None.

Board Meetings

The Board of Directors meet at the summons of the Chairman or Deputy Chairman, in event of his absence or disability, or if requested to do so by at least two Directors. The Board meets at least four times a year. A meeting of the Board of Directors is deemed valid if attended by more than half of the members.

Meetings of Independent Directors

In 2012, the Board of Directors started to hold separate meetings for Independent Directors. As per the Board Charter, minority shareholders look up to Independent Directors for representation. For this purpose regular Board meetings are preceded by a meeting of Independent Directors unless it is decided by the Independent Directors that there are no issues to discuss.

The agendas for this forum's meetings are the same as the agendas for the regular Board meetings. During these meetings the Independent Directors express their views about certain issues, especially those relating to minority shareholders. The summary of the proceedings of such meetings are recorded by the Corporate Secretary and shared with the Independent Directors.

Board meeting attendance

During 2014, eight Board meetings at the Bank were held in the Kingdom of Bahrain in the following manner:

KEY: ⊙ Attended ○ Absent ⊖ was not a member during this period

Quarterly Board meetings 2014

Members	3 Feb	21 Apr	21 Jul	20 Oct
Murad Ali Murad	⊙	⊙	⊙	⊙
Aref Saleh Khamis	⊙	⊙	⊙	⊙
Mohamed Abdulrahman Hussain	⊙	⊙	⊙	⊙
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙
Dr Zakreya Sultan AlAbbasi	⊙	⊙	⊙	⊙
Dr Nayef Falah Al Hajraf	⊖	⊙	⊙	⊖
Sh Abdulla bin Khalifa bin Salman Al Khalifa	⊙	⊙	⊙	⊙
Sh Khalifa bin Duajj Al Khalifa	⊙	⊙	○	⊙
Mutlaq Mubarak Al Sanei	⊙	⊙	⊙	⊙
Elham Ebrahim Hasan	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙
Hassan Mohammed Mahmood	⊙	⊙	⊙	⊙

Other Board meetings 2014

Members	*4 Feb	3 Mar	12 Mar	22 Dec
Murad Ali Murad	⊙	⊙	⊙	⊙
Aref Saleh Khamis	⊙	⊙	⊙	⊙
Mohamed Abdulrahman Hussain	⊙	⊙	⊙	⊙
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙
Dr Zakreya Sultan AlAbbasi	○	⊙	⊙	⊙
Dr Nayef Falah Al Hajraf	⊖	⊖	○	⊖
Sh Abdulla bin Khalifa bin Salman Al Khalifa	⊙	⊙	⊙	⊙
Sh Khalifa bin Duajj Al Khalifa	⊙	⊙	○	○
Mutlaq Mubarak Al Sanei	⊙	⊙	⊙	⊙
Elham Ebrahim Hasan	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙
Hassan Mohammed Mahmood	⊙	⊙	⊙	⊙

* The three year strategy review meeting was held on 4 February 2014.

Board Committees

The Board level Committees are formed and their members are appointed by the Board of Directors each year after the Annual General Meeting. They are considered the high-level link between the Board and the Executive Management. The objective of these Committees is to assist the Board in supervising the actual operations of the Bank, by reviewing any issues that are submitted by the Executive Management and making recommendations to the Board for their final review.

The Board reserves the right to form temporary Committees and discontinue them, from time to time as necessary. Furthermore, the members of the Board are provided with copies of the meeting minutes of the said Committees as required by the regulators.

There are no major issues of concern to report relating to the work of the Board Committees during the year 2014.

The full texts for the Terms of Reference for Board Committees (Executive Committee, Audit Committee, Nomination, Remuneration and Corporate Governance Committee, and Risk Committee) are published on the Bank's website.

Board Committees' composition, roles and responsibilities:

Executive Committee

Members	Summary terms of reference, roles and responsibilities:	Summary of responsibilities:
<p>Mohammed Abdulrahman Hussain Chairman</p> <p>Aref Saleh Khamis Deputy Chairman</p> <p>Sh Abdulla bin Khalifa bin Salman Al Khalifa Member</p> <p>Mutlaq Mubarak Al Sanei Member</p> <p>Abdulkarim Ahmed Bucheery Member</p> <p>Elham Ebrahim Hasan Member</p>	<ul style="list-style-type: none"> • Not less than five members are appointed for a one year term. • Minimum number of meetings required each year: 8 (actual meetings in 2014: 13). • The Chairman and Deputy Chairman must be a Director and elected by the members of the Committee in the first meeting following the appointment of its members. • The quorum shall be of more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted. • The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. • The Committee conducts an annual self-assessment of the performance of the Committee/members and reports conclusions and recommendations to the Board. 	<p><i>Reviews, approves and directs the executive management on matters raised to the Board of Directors such as business plans, donations, credit/ investment applications and such other proposals within its authority and the periodical review of the Bank's achievements.</i></p>

Audit Committee

Members	Summary terms of reference, roles and responsibilities:	Summary of responsibilities:
<p>Jassem Hasan Ali Zainal Chairman (Independent)</p> <p>Yusuf Saleh Khalaf Deputy Chairman (Independent)</p> <p>Sh Khalifa bin Duaij Al Khalifa Member (Independent)</p> <p>Hassan Mohammed Mahmood Member (Non-Independent)</p>	<ul style="list-style-type: none"> • The Board appoints not less than three members for a one year term. • The Chairman must be elected by the members of the Committee, from amongst the Independent Non-Executive Directors, in its first meeting after the appointment of the members, the majority of members should also be independent. • Minimum number of meetings required each year: 4 (actual meetings in 2014: 4). • Quorum shall be more than half of the members and must include the Chairman. Attendance by proxies is not permitted. • The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. • The Committee conducts an annual self-assessment of the performance of the Committee/members and reports conclusions and recommendations to the Board. 	<p><i>Reviews the internal audit programme and internal control system, considers major findings of internal audit reviews, investigations and management's response, ensures coordination among internal and external auditors, monitors trading activities of key persons and ensures prohibition of the abuse of inside information and disclosure requirements.</i></p>

Nomination, Remuneration and Corporate Governance Committee

Members	Summary terms of reference, roles and responsibilities:	Summary of responsibilities:
<p>Murad Ali Murad Chairman (Independent)</p> <p>Dr Nayef Falah Al Hajraf Member until August 2014 (Non-Independent)</p> <p>Sh Khalifa bin Duajj Al Khalifa Member (Independent)</p>	<ul style="list-style-type: none"> The Board appoints not less than three members for a one year term. The Chairman is an Independent Director and the majority of members should also be independent. The Chairman and the Deputy Chairman must be elected by members of the Committee in its first meeting after the appointment of the members. Minimum number of meetings required each year: 2 (actual meetings in 2014: 4). Quorum shall be more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted. The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. The Committee conducts an annual self-assessment of the performance of the Committee/members and reports conclusions and recommendations to the Board. 	<p><i>Assess, evaluate and advise to the Board of Directors on all matters associated with nominations and remunerations of the Directors and the Executive Management. Also, to ensure that the Bank adopts and enhances sound corporate governance practices, which are consistent with the Corporate Governance Code of the Kingdom of Bahrain and the regulatory requirements and also reflect the best market practices in corporate governance, and makes recommendations to the Board as appropriate.</i></p>

Risk Committee

Members	Summary terms of reference, roles and responsibilities:	Summary of responsibilities:
<p>Murad Ali Murad Chairman (Independent)</p> <p>Jassem Hasan Ali Zainal Deputy Chairman (Independent)</p> <p>Dr Zakareya Sultan Al Abbasi Member (Non-Independent)</p> <p>Yusuf Saleh Khalaf Member (Independent)</p>	<ul style="list-style-type: none"> At least four members are appointed for a one year term. The Chairman and Deputy Chairman must be a Director and elected by the members of the Committee in its first meeting following the appointment of its members. Minimum number of meetings required each year: 4 (actual meetings in 2014: 4). The quorum shall be of more than half of the members and must include the Chairman or the Deputy Chairman. Attendance by proxies is not permitted. The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions. The Committee conducts an annual self-assessment of the performance of the Committee/members and reports conclusions and recommendation to the Board. 	<p><i>Reviews risk policies and recommends to the Board of Directors for approval. Also, examines and monitors the risk issues to the Bank's business and operations and directs the management appropriately.</i></p>

Board Committee meetings and record of attendance:

KEY: ⊙ Attended ○ Absent

Executive Committee meetings 2014

Members	2 Feb	2 Mar	20 Apr	*22 Apr	22 May	15 Jun	20 Jul & *21 Jul	21 Sep	*24 Sep	19 Oct	*13 Nov	23 Nov	21 Dec
Mohamed Abdulrahman Hussain	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Aref Saleh Khamis	⊙	⊙	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Sh Abdulla bin Khalifa bin Salman Al Khalifa	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	○	⊙
Mutlaq Mubarak Al Sanei	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Abdulkarim Ahmed Bucheery	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Elham Ebrahim Hasan	⊙	⊙	⊙	⊙	○	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙

* Unscheduled meeting

Audit Committee meetings 2014

Members	2 Feb	20 Apr	20 Jul	19 Oct
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙
Sh Khalifa bin Duajj Al Khalifa	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙
Hassan Mohammed Mahmood	⊙	⊙	⊙	⊙

Nomination, Remuneration and Corporate Governance Committee meetings 2014

Members	3 Feb	2 Mar & *3 Mar	*15 Sep	20 Oct
Murad Ali Murad	⊙	⊙	⊙	⊙
Sh Khalifa bin Duajj Al Khalifa	⊙	⊙	⊙	⊙

* Unscheduled meeting

Risk Committee meetings 2014

Members	19 Jan	13 Apr	6 Jul	12 Oct
Murad Ali Murad	⊙	⊙	⊙	⊙
Yusuf Saleh Khalaf	⊙	⊙	⊙	⊙
Dr Zakareya Sultan AlAbbasi	⊙	⊙	⊙	○
Jassem Hasan Ali Zainal	⊙	⊙	⊙	⊙

Compliance and anti-money laundering

Compliance with regulatory and statutory requirements is an ongoing process. The Bank is conscious of its responsibilities in observing all regulatory provisions and best international practices in its functioning. The Bank has established an independent compliance function in keeping with Basel and CBB guidelines. The unit acts as a focal point for all regulatory compliance and for adapting other best practice compliance principles. The Bank continuously strives to improve the level of compliance in all its activities. The Bank's adopted corporate philosophy is: "BBK shall continue its endeavour to enhance shareholders' value, protect their interests and defend their rights by practising pursuit of excellence in corporate life." Anti-money laundering measures form an important area of the compliance function, in addition to areas of corporate governance, disclosure standards, insiders'/ key persons trading, conflict of interest, and adherence to best practices.

In 2014, the Bank commenced implementation of an automated compliance system for the monitoring and management of regulatory requirements across the Bank. This system facilitates the prompt reporting of any compliance concerns or non-compliance incidents as and when they arise. The system will be rolled over to all concerned divisions within the Bank.

The Bank has documented an anti-money laundering programme for periodic awareness training to employees, record-keeping and a designated Money Laundering Reporting Officer (MLRO). The AML policy/procedure is updated annually and was last approved by the Board of Directors and Chief Executive in February 2014.

The Bank has deployed a risk based automated transaction monitoring system in keeping with the anti-money laundering regulations of the CBB.

The Bank's anti-money laundering measures are regularly audited by the internal auditors who report to the Audit Committee of the Board. The Central Bank performs periodic inspections of the Bank's compliance with anti-money laundering regulations. Additionally, the Bank's anti-money laundering measures are audited by independent external auditors every year and their report is submitted to the CBB. The overseas branches in India and Kuwait and the subsidiary, CrediMax, have designated compliance and MLRO functions to ensure implementation of local regulations and also to meet CBB requirements as applicable. The Bank is committed to combating money-laundering and, towards this end, implements all 'Prevention of Money Laundering Regulations' and other guidelines issued by the CBB. These regulations and guidelines are consistent with the revised FATF recommendations, 'Customer Due Diligence for Banks' paper, and best international practices.

Communication strategy

The Bank has an open policy on communication with its stakeholders and has adopted a communication disclosure policy consistent with Basel II requirements. Shareholders are invited by the Chairman to attend the annual general meeting (AGM). The Chairman and other Directors attend the AGM and are available to answer any questions. The Bank is at all times mindful and conscious 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.bbkonline.com – or through other forms of publication. The Bank's annual report and three years' financial statements are also published on the website, as well as the Bank's Corporate Governance Report, Corporate Governance Framework, Whistle-Blowing policy, Board Charter, Code of Conduct, Key Persons' Dealing Policy and Terms of Reference of all Board Committees. Shareholders can complete an online form which can be found on the website to forward any queries they may have.

The Bank uses a bulletin board for communicating with its employees on general matters, and sharing information of common interest and concern.