

# Corporate Governance report

## Corporate governance philosophy

High standards in corporate governance are fundamental in maintaining BBK's leading position within the local and regional banking sector and the community. Continuous review and adherence to strong corporate governance practices help enhance compliance levels according to international standards and best practice.

BBK (the Bank) shall continue its endeavour to enhance shareholders value, protect their interests and defend their rights by practicing 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, customers, employees and the public at large.

The adoption and implementation of corporate governance is the direct responsibility of the Board of Directors (Board), 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.

## Shareholder information

BBK's shares are listed on the Bahrain Bourse. The Bank has issued 851,356,122 equity shares, each with a face value of 100 fils. All shares are fully paid.

### Annual General Meeting

The Annual General Meeting (AGM) was held on 6 March 2011 marking a new term for the Board. The meeting minutes of the AGM is published in this annual report. The Bank submits a Corporate Governance report to the AGM annually covering 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 in the AGM the details under the Public Disclosure module of the Rule Book. Such disclosures includes the total remunerations 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	No. of shares	% holding
Citizens of the Kingdom of Bahrain and Others	-	158,115,986	18.57
Ithmaar Bank	Bahrain	215,736,187	25.34
Social Insurance Organization (Pension Fund)	Bahrain	159,933,766	18.79
Kuwait Investment Authority	Kuwait	159,173,547	18.70
Social Insurance Organization (GOSI)	Bahrain	113,573,255	13.34
Global Mena Macro Fund Company	Kuwait	25,656,556	3.01
Emerging Markets Middle East Fund	Ireland	9,974,057	1.17
Global Investment House	Kuwait	9,192,768	1.08

## Distribution schedule of each class of equity

Category	No. of shares	No. of shareholders	% of outstanding shares
Less than 1%	158,115,986	2,349	18.57
1% to less than 5%	44,823,381	3	5.26
5% to less than 10%	-	-	-
10% to less than 20%	432,680,568	3	50.83
20% to less than 50%	215,736,187	1	25.34
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 twelve 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. The Board has four independent Directors until October 2011. The Board periodically reviews its composition and the contribution of Directors and Committees.

The appointment of Directors is subject to prior Central Bank of Bahrain (CBB) approval. The classification of 'executive' Directors, 'non-executive' Directors and 'independent non-executive' Directors is as per definitions stipulated by the CBB.

In March 2011 at the start of a new term for the Board, five members were appointed by shareholders and seven were elected by the AGM. Out of the twelve, three new Directors were inducted namely Elham Ebrahim Hasan, Mutlaq Mubarak Al Sanei, and Yusuf Saleh Khalaf. Moreover, during the third quarter of the year, the Deputy Chairman of the Board Sh. Mohammed bin Isa Al Khalifa who was appointed by the Social Insurance Organisation submitted his resignation from the Board due to moving to another organisation. Presently, the Board has 11 members. The current term for the Board will end in March 2014.

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 to shareholders 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.

The Board is supported by the Board Secretary who provides professional and administrative support to the General Assembly, the Board, its Committees and members. The Board Secretary also assumes the responsibilities of the Company Secretary. The appointment of the Board Secretary is subject to the approval of the Board.

### **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 re-appointment. 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 and Board Committees have a process of self-evaluation. Furthermore, the Bank has a formal induction programme for new Directors to familiarise them with the Bank's policies and procedures as well as the divisions of the Bank and its subsidiaries.

A continuous awareness program is in place to constantly update the Directors with various regulatory and market changes.

The Board Charter is published on the Bank's website.

### **Remuneration of Directors**

The Board has adapted 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 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.

### **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 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 abstains from the discussion/voting process. These events are recorded in the Board/ Committees proceedings. The Directors are required to inform the entire Board of (potential) conflicts of interest 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' profiles

	<b>Murad Ali Murad</b> Chairman Chairman of Nomination, Remuneration and Corporate Governance Committee	<i>Director since 21 March 1999 (independent and non-executive)</i>
Deputy Chairman	Banader Hotels Company (till 31 December 2011)	Kingdom of Bahrain
Deputy Chairman	Umniah Mobile Telephones Limited Private Shareholding Company	Jordan
First Deputy Chairman	Bahrain Telecommunications Company (Batelco)	Kingdom of Bahrain
Board Member	Bahrain Kuwait Insurance Company	Kingdom of Bahrain
Chairman	Human Resources Development Fund in Banking Sector	Kingdom of Bahrain
Member	Council of Vocational Training in Banking Sector	Kingdom of Bahrain
	<b>Aref Saleh Khamis</b> Deputy Chairman <i>Nominated by Social Insurance Organization (Pension Fund)</i>	<i>Director since 1 April 2003 (non-independent and non-executive)</i>
Undersecretary	Ministry of Finance	Kingdom of Bahrain
Chairman	Social Insurance Organization	Kingdom of Bahrain
Chairman	Gulf Aluminium Rolling Mills Company (GARMCO)	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 Ship Building & Repair Yard Company (ASRY)	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
	<b>Mohamed Abdulrahman Hussain</b> Board Member Chairman of Executive Committee	<i>Director since 2 March 2008 (non-independent and non-executive)</i>
Board Member and Chairman of Executive Committee	First Leasing Bank B.S.C. (c)	Kingdom of Bahrain
Board Member and Chairman of Executive Committee	Solidarity Group Holding B.S.C. (c)	Kingdom of Bahrain
Board Member and Chairman of Risk Management Committee	Faysal Bank Limited	Pakistan
Board Member	Ithraa Capital	Kingdom of Saudi Arabia
	<b>Jassem Hasan Ali Zainal</b> Board Member Chairman of Audit Committee	<i>Director since 22 November 1994 (independent – until October 2011 – and non-executive)</i>
Chairman and Managing Director	International Finance Company	State of Kuwait
Deputy Chairman	Al Razi Holding Company	State of Kuwait
Deputy Chairman	Addax Investment Bank	Kingdom of Bahrain
Board Member	Kuwait International Bank	State of Kuwait
Board Member	Kuwait Airways Company	State of Kuwait
Board Member	Al-Masah Capital Limited	Dubai, UAE
	<b>Sh. Abdulla bin Khalifa bin Salman Al Khalifa</b> Board Member	<i>Director since 2 March 2008 (non-independent and non-executive)</i>
Assistant Director, Investment	Social Insurance Organization	Kingdom of Bahrain
Chairman	Seef Properties B.S.C.	Kingdom of Bahrain
Vice Chairman	Naseej B.S.C. (c)	Kingdom of Bahrain
Board Member	Bahrain International Golf Course Company B.S.C. (c)	Kingdom of Bahrain
Board Member	BFC Group	Kingdom of Bahrain

<b>Sh. Khalifa bin Duaij Al Khalifa</b>			<i>Director since 27 February 2005 (independent and non-executive)</i>
<b>Board Member</b>			
President	Court of H.R.H. the Crown Prince		Kingdom of Bahrain
Board Member and Chairman of Investment Committee	EDAMA		Kingdom of Bahrain
Board Member	Crown Prince's International Scholarship Program		Kingdom of Bahrain
<b>Dr. Abdulmohsen Medej Mohammed Al Medej</b>			<i>Director since 11 May 2009 (non-independent and non-executive)</i>
<b>Board Member</b>			
<i>Nominated by Kuwait Investment Authority</i>			
Chairman	Zahra Group Holding		State of Kuwait
Board Member	Kuwait Investment Authority		State of Kuwait
Member	Supreme Council for Planning & Development		State of Kuwait
Board Member	Kuwait Foundation for the Advancement of Science		State of Kuwait
Member - Board of Trustees	Australian College in Kuwait		State of Kuwait
<b>Mutlaq Mubarak Al Sanei</b>			<i>Director since 6 March 2011 (non-independent and non-executive)</i>
<b>Board Member</b>			
Director Follow-up Unit, General Reserve Sector	Kuwait Investment Authority		State of Kuwait
Vice Chairman	Kuwait Economic Society		State of Kuwait
Board Member	The Arab Investment Company		Kingdom of Saudi Arabia
<b>Elham Ebrahim Hasan</b>			<i>Director since 6 March 2011 (non-independent and non-executive)</i>
<b>Board Member</b>			
<i>Nominated by Ithmaar Bank</i>			
Managing Partner	Elham Hasan S.P.C.		Kingdom of Bahrain
Board Member	EDAMAH		Kingdom of Bahrain
Board Member	BNP Paribas Investment Company		Kingdom of Saudi Arabia
Board Member	Solidarity Group Holding B.S.C. (c)		Kingdom of Bahrain
Board Member	Economic Development Board		Kingdom of Bahrain
<b>Yusuf Saleh Khalaf</b>			<i>Director since 6 March 2011 (independent and non-executive)</i>
<b>Board Member</b>			
Managing Director	Vision Line Consulting W.L.L.		Kingdom of Bahrain
Board Member	First Leasing Bank B.S.C. (c)		Kingdom of Bahrain
Board Member	Solidarity General Takaful B.S.C. (c)		Kingdom of Bahrain
Board Member	Eskan Bank		Kingdom of Bahrain
<b>Hasan Mohammed Mahmood</b>			<i>Director since 1 September 2010 (non-independent and non-executive)</i>
<b>Board Member</b>			
<i>Nominated by Ithmaar Bank</i>			
Board Member	Faisal Finance (Maroc) S.A.		Morocco
Board Member	Overland Capital Group, Inc.		USA
Board Member	Egyptian Investment Company		Egypt
Board Member	Faysal Bank Limited		Pakistan
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		Egypt

## Disclosures relating to Board of Directors continued

### Directors' and related parties' interests

The number of shares held by Directors as of 31 December 2011 was as follows:

Name of Director	Type of shares	31 Dec 2011	31 Dec 2010
Murad Ali Murad	Ordinary	672,164	672,164
Pension Fund Commission / Aref Saleh Khamis *	Ordinary	105,000	105,000
Mohamed Abdulrahman Hussain	Ordinary	105,000	105,000
Jassem Hasan Ali Zainal	Ordinary	149,773	149,773
Sh. Abdulla bin Khalifa bin Salman Al Khalifa	Ordinary	100,000	100,000
Sh. Khalifa bin Duajj Al Khalifa	Ordinary	500,000	500,000
KIA / Dr. Abdulmohsen Medej Al Medej **	Ordinary	100,000	100,000
KIA / Mutlaq Mubarak Al Sanei **	Ordinary	100,000	Nil
Ithmaar Bank / Elham Ebrahim Hasan ***	Ordinary	100,000	Nil
Yusuf Saleh Khalaf	Ordinary	100,000	Nil
Ithmaar Bank / Hasan Mohammed Mahmood ***	Ordinary	150,000	50,000

\* Qualifying shares related to Aref Saleh Khamis are part of the whole shares of the Pension Fund Commission ownership.

\*\* Qualifying shares related to Dr. Abdulmohsen Al Medej and Mutlaq Al Sanei are part of the whole shares of the Kuwait Investment Authority ownership.

\*\*\* Qualifying shares related to Elham Ebrahim Hasan and Hasan Mohammed Mahmood are part of the whole shares of Ithmaar Bank ownership.

### Related parties:

Al Janabeya Company owns 198,998 shares and is related to the Chairman of the Board.

### Nature and extent of transactions with related parties during 2011:

None.

### 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	Self	Personal banking needs	BD 200,000	FD rate + 0.75% p.a.	On demand	On demand	100% cash collateral

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

### Directors trading of Bank's shares during the year 2011

Name of Director	Trading through Bahrain Bourse	Date of trading
Hasan Mohammed Mahmood	Transfer of 100,000 shares from Ithmmar Bank to comply with directorship qualifying shares	23/06/2011
Elham Ebrahim Hasan	Transfer of 100,000 shares from Ithmmar Bank to comply with directorship qualifying shares	23/06/2011
Mutlaq Mubarak Al Sanei	Transfer of 100,000 shares from Kuwait Investment Authority to comply with directorship qualifying shares	28/06/2011
Yusuf Saleh Khalaf	Buying 100,000 shares	28/07/2011
		15/12/2011
		21/12/2011

### Board meetings and attendances

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 in person. During 2011, eight Board meetings at the Bank were held in the Kingdom of Bahrain in the following manner:

#### Quarterly Board meetings 2011

Members	30 Jan	17 Apr	7 Aug	16 Oct
Murad Ali Murad	✓	✓	✓	✓
Aref Saleh Khamis	✓	✓	✓	✓
Mohamed Abdulrahman Hussain	✓	✓	✓	✓
Jassem Hasan Ali Zainal	✓	✓	✓	✓
Sh. Abdulla bin Khalifa bin Salman Al Khalifa	✓	✓	✓	✓
Sh. Khalifa bin Duajj Al Khalifa	✓	✓	✓	
Dr. Abdulmohsen Medej Al Medej	✓	✓	✓	✓
Mutlaq Mubarak Al Sanei	☐	✓		✓
Elham Ebrahim Hasan	☐	✓	✓	✓
Yusuf Saleh Khalaf	☐	✓	✓	✓
Hasan Mohammed Mahmood	✓	✓	✓	✓

☐ Was not a member during this period

#### Other Board meetings 2011

Members	31 Jan	6 Mar	6 Mar	25 Dec
	☐	1st Session	2nd Session	
Murad Ali Murad	✓	✓	✓	✓
Aref Saleh Khamis	✓	✓	✓	✓
Mohamed Abdulrahman Hussain	✓	✓	✓	✓
Jassem Hasan Ali Zainal	✓	✓	✓	✓
Sh. Abdulla bin Khalifa bin Salman Al Khalifa	✓	✓	✓	✓
Sh. Khalifa bin Duajj Al Khalifa				
Dr. Abdulmohsen Medej Al Medej	✓	✓	✓	✓
Mutlaq Mubarak Al Sanei	☐	☐	✓	✓
Elham Ebrahim Hasan	☐	☐	✓	✓
Yusuf Saleh Khalaf	☐	☐	✓	✓
Hasan Mohammed Mahmood	✓	✓	✓	✓

☐ Previously unscheduled meeting

☐ Was not a member during this period

### 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 2011.

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

## Board Committees continued

### Board Committees' composition, roles and responsibilities

Executive Committee	
<p><b>Members:</b></p> <p><b>Mohammed Abdulrahman Hussain</b> Chairman</p> <p><b>Aref Saleh Khamis</b> Deputy Chairman</p> <p><b>Sh. Abdulla bin Khalifa bin Salman Al Khalifa</b> Member</p> <p><b>Mutiaq Mubarak Al Sanei</b> Member</p> <p><b>Abdulkarim Ahmed Bucheery</b> Member</p> <p><b>Elham Ebrahim Hasan</b> Member</p>	<p><b>Summary terms of reference, roles and responsibilities:</b></p> <ul style="list-style-type: none"> <li>▶ At least five members are appointed for a 1 year term.</li> <li>▶ Minimum number of meetings required each year: 8 (actual meetings in 2011: 12).</li> <li>▶ The Chairman and Deputy Chairman are elected by the members of the Committee for one year.</li> <li>▶ Attendance by proxies is not permitted.</li> <li>▶ The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions.</li> <li>▶ The Chief Executive, General Managers, Assistant General Manager of Treasury and Investment and Chief Financial Officer shall normally attend meetings.</li> </ul> <p><b>Summary of responsibilities:</b> reviews, approves and directs the Executive Management on matters raised to the Board of Directors such as various policies, business plans and the periodical review of the Bank's achievements.</p>
Audit Committee	
<p><b>Members:</b></p> <p><b>Jassem Hasan Ali Zainal</b> Chairman <i>(independent until October 2011)</i></p> <p><b>Sh. Khalifa bin Duaij Al Khalifa</b> Member <i>(independent)</i></p> <p><b>Yusuf Saleh Khalaf</b> Member <i>(independent)</i></p> <p><b>Hasan Mohammed Mahmood</b> Member <i>(non-independent)</i></p>	<p><b>Summary terms of reference, roles and responsibilities:</b></p> <ul style="list-style-type: none"> <li>▶ The Board appoints not less than three members for a 1 year term.</li> <li>▶ The Chairman shall 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.</li> <li>▶ Minimum number of meetings required each year: 4 (actual meetings in 2011: 4).</li> <li>▶ Attendance by proxies is not permitted.</li> <li>▶ The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions.</li> <li>▶ The Chief Executive, General Manager of Shared Services Group, Head of Internal Audit and a representative of the External Auditors shall normally attend meetings.</li> </ul> <p><b>Summary of responsibilities:</b> reviews the internal audit program 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.</p>
Nomination, Remuneration and Corporate Governance Committee	
<p><b>Members:</b></p> <p><b>Murad Ali Murad</b> Chairman <i>(independent)</i></p> <p><b>Dr. Abdulmohsen Medej Al Medej</b> Deputy Chairman <i>(non-independent)</i></p> <p><b>Sh. Abdulla bin Khalifa bin Salman Al Khalifa</b> Member <i>(non-independent)</i></p> <p><b>Sh. Khalifa bin Duaij AlKhalifa</b> Member <i>(independent)</i></p> <p><b>Jassem Hasan Ali Zainal</b> Member <i>(independent until October 2011)</i></p>	<p><b>Summary terms of reference, roles and responsibilities:</b></p> <ul style="list-style-type: none"> <li>▶ The Board appoints not less than three members for a 1 year term. The Chairman is an independent Director, the majority of members should also be independent.</li> <li>▶ The Chairman and Deputy Chairman are elected by the members of the Committee for one year.</li> <li>▶ The Committee shall meet at least twice a year. Attendance by proxies is not permitted (actual meetings in 2011:4).</li> <li>▶ The Chairman or Deputy Chairman shall be available at the Annual General Meeting to answer questions relating to the Committee's functions.</li> </ul> <p><b>Summary of responsibilities:</b> to 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, regulatory requirements and also reflects the best market practices in Corporate Governance and make recommendations to the Board as appropriate.</p>

## Board Committee meetings and record of attendance

### Executive Committee meetings 2011

Members	29 Jan	19 Feb	5 Mar	16 Apr	20 May	29 May	18 Jun	6 Aug	15 Sep	15 Oct	19 Nov	24 Dec
Mohamed Abdulrahman Hussain	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Aref Saleh Khamis	✓	✓	✓	✓	✓	✓	☎	✓	✓	✓	✓	✓
Sh. Abdulla bin Salman Al Khalifa	☎	☎	☎	☎	☎	☎	☎	☎	☎	☎	✓	✓
Mutlaq Mubarak Al Sanei	☎	☎	☎	✓	✓		✓	✓	✓	✓	✓	✓
Abdulkarim Ahmed Bucheery	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Elham Ebrahim Hasan	☎	☎	☎	✓	✓		✓	✓	☎	✓	✓	✓

☎ Attended by telephone conference

☐ Previously unscheduled meeting

☎ Was not a member during this period

### Audit Committee meetings 2011

Members	29 Jan	16 Apr	6 Aug	15 Oct
Jassem Hasan Ali Zainal	☎	✓	✓	✓
Sh. Khalifa bin Duajj Al Khalifa	✓			✓
Yusuf Saleh Khalaf	☎	✓	✓	✓
Hasan Mohammed Mahmood	✓	✓	✓	✓

☎ Was not a member during this period

### Nomination, Remuneration and Corporate Governance Committee meetings 2011

Members	30 Jan	5 Mar	17 Apr	16 Oct
Murad Ali Murad	✓	✓	✓	✓
Dr. Abdulmohsen Medej Al Medej	✓	✓	✓	✓
Sh. Abdulla bin Khalifa bin Salman Al Khalifa	✓	✓	✓	✓
Sh. Khalifa bin Duajj Al Khalifa	✓			
Jassem Hasan Ali Zainal	☎	☎	✓	✓

☎ Was not a member during this period

## 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 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 practicing 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.

The Bank has documented an Anti-Money Laundering and Combating Terrorist Financing Policy and Procedure which contains sound Customer Due Diligence measures, procedure for identifying and reporting suspicious transactions, a programme for periodic

awareness training to employees, record-keeping and a designated Money Laundering Reporting Officer (MLRO). 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 subsidiaries (CrediMax and Capinnova) 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 49 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 AGM. The Chairman and other Directors attend the Annual General Meeting 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](http://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.