

# 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.

## Shareholders information

BBK's shares are listed on the Bahrain Bourse. The Bank has issued 936,491,734 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 4 March 2013. 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 and other necessary changes, to comply

with the corporate governance Code of the Kingdom of Bahrain and regulatory requirements. 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.

## Corporate governance philosophy

BBK 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.

BBK has yet again been awarded recognition for outstanding corporate governance from Hawkamah for a fourth consecutive year.



Shareholders			
Name	Country of origin	Number of shares	% holding
Citizens of the Kingdom of Bahrain and Others	-	184,583,288	19.71
Ithmaar Bank	Kingdom of Bahrain	237,656,304	25.38
Social Insurance Organisation (SIO)			
- Pension Fund Commission	Kingdom of Bahrain	175,910,143	18.78
- General Organisation for Social Insurance (GOSI)		124,930,581	13.34
Kuwait Investment Authority	State of Kuwait	175,090,900	18.70
Global Mena Macro Fund Company	State of Kuwait	28,793,258	3.07
Global Investment House	State of Kuwait	9,527,260	1.02

## 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. 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. The current term of the Board started in March 2011 and shall 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 at the AGM shall be accompanied by a recommendation from the Board, based on a recommendation from the Nomination, Remuneration & Corporate Governance Committee with specific information such as biographical and professional qualifications and other directorships held.

### Distribution schedule of each class of equity

Category	Number of shares	Number of shareholders	% of outstanding shares
Less than 1%	184,583,288	2,391	19.71
1% to less than 5%	38,320,518	2	4.09
5% to less than 10%	-	-	-
10% to less than 20%	475,931,624	3	50.82
20% to less than 50%	237,656,304	1	25.38
50% and above	-	-	-

### Board Secretary

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 and 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 Board Secretary is subject to the approval of the Board.

BBK's Board Secretary and Corporate Governance Officer is Ahmed A.Qudoos Agha Baba who joined the Bank in 2009. His qualifications include a BSc in Engineering from the University of Bahrain in 1996 and has since attended many

advanced training programs in corporate governance both in Bahrain and abroad accumulating over 17 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

## Board of Directors' information continued

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 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's 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, if necessary. 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		
Position	Organisation	Country
First Deputy Chairman	Bahrain Telecommunications Company (Batelco)	Kingdom of Bahrain
Deputy Chairman	Umniah Mobile Company	Jordan
Board Member	Batelco International Finance Number One Limited	Cayman Islands
Board Member	Dhiraagu	Maldives
Board Member	Sure Guernsey, Jersey and the Isle of Man Limited	United Kingdom
Board Member	Bahrain Kuwait Insurance Company (B.S.C.)	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
Aref Saleh Khamis		
Position	Organisation	Country
Undersecretary	Ministry of Finance	Kingdom of Bahrain
Chairman	Social Insurance Organisation (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 Company (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		
Position	Organisation	Country
Board Member & Chairman of the Executive Committee	Solidarity Group Holding B.S.C. (c)	Kingdom of Bahrain
Board Member & Chairman of the Executive Committee	Eskan Bank B.S.C. (c)	Kingdom of Bahrain
Board Member	Saudi Arabian Financial Investment Company (Investcorp)	Kingdom of Saudi Arabia
Board Member	The K Hotel	Kingdom of Bahrain

## Disclosures relating to Board of Directors continued

## Directors' external appointments continued

Jassem Hasan Ali Zainal		
Position	Organisation	Country
Chairman & CEO	International Finance Company	State of Kuwait
Deputy Chairman & 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 L.L.C. (MIAX)	United States of America
Dr. Zakareya Sultan Al Abbasi		
Position	Organisation	Country
CEO	Social Insurance Organization (SIO)	Kingdom of Bahrain
Board Member	Osool Asset Management B.S.C. (c)	Kingdom of Bahrain
Board Member	Eskan Bank B.S.C. (c)	Kingdom of Bahrain
Sh. Abdulla bin Khalifa bin Salman Al Khalifa		
Position	Organisation	Country
CEO	Osool Asset Management B.S.C. (c)	Kingdom of Bahrain
Chairman	SICO Investment Bank B.S.C. (c)	Kingdom of Bahrain
Chairman	Muharraq Mall Company W.L.L.	Kingdom of Bahrain
Board Member	BFC Group	Kingdom of Bahrain
Sh. Khalifa bin Duajj Al Khalifa		
Position	Organisation	Country
President	Court of H.R.H. 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 W.L.L.	Kingdom of Bahrain
Board Member	Arab Thought Foundation	Lebanon
Dr. Abdulmohsen Medej Mohammed Al Medej		
Position	Organisation	Country
Chairman	Zahra Group Holding	State of Kuwait
Board Member	Kuwait Investment Authority	State of Kuwait
Board 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
Mutlaq Mubarak Al Sanei		
Position	Organisation	Country
Director Follow-up Department	Kuwait Investment Authority	State of Kuwait
Board Member	The Arab Investment Company	Kingdom of Saudi Arabia
Vice Chairman	Kuwait Economic Society	State of Kuwait
Elham Ebrahim Hasan		
Position	Organisation	Country
Managing Partner	Elham Hasan S.P.C.	Kingdom of Bahrain
Chairman	Health Corp Middle East Limited	Kingdom of Bahrain
Board Member	BNP Paribas Investment Company (B.I.C.)	Kingdom of Saudi Arabia
Board Member	Solidarity Group Holding B.S.C. (c)	Kingdom of Bahrain
Board Member	Economic Development Board	Kingdom of Bahrain

Yusuf Saleh Khalaf		
Position	Organisation	Country
Managing Director	Vision Line Consulting W.L.L.	Kingdom of Bahrain
Board Member	Solidarity General Takaful B.S.C. (c)	Kingdom of Bahrain
Board Member	Eskan Bank B.S.C. (c)	Kingdom of Bahrain
Board Member	SICO Investment Bank B.S.C. (c)	Kingdom of Bahrain

Hassan Mohammed Mahmood		
Position	Organisation	Country
Board Member	Faisal Finance (Maroc) S.A.	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	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 2013 was as follows:

Name of Director	Type of shares	31 Dec 2013	31 Dec 2012
Murad Ali Murad	Ordinary	739,379	672,164
Pension Fund Commission / Aref Saleh Khamis <sup>(1)</sup>	Ordinary	115,500	105,000
Mohamed Abdulrahman Hussain	Ordinary	115,500	105,000
Jassem Hasan Ali Zainal	Ordinary	164,750	149,773
GOSI / Dr. Zakareya Sultan Al Abbasi <sup>(2)</sup>	Ordinary	110,000	100,000
Sh. Abdulla bin Khalifa bin Salman Al Khalifa	Ordinary	110,000	100,000
Sh. Khalifa bin Duaij Al Khalifa	Ordinary	550,000	500,000
Kuwait Investment Authority / Dr. Abdulmohsen Medej Mohammed Al Medej <sup>(3)</sup>	Ordinary	110,000	100,000
Kuwait Investment Authority / Mutlaq Mubarak Al Sanei <sup>(3)</sup>	Ordinary	110,000	100,000
Ithmaar Bank / Elham Ebrahim Hasan <sup>(4)</sup>	Ordinary	110,000	100,000
Yusuf Saleh Khalaf	Ordinary	110,000	100,000
Ithmaar Bank / Hassan Mohammed Mahmood <sup>(4)</sup>	Ordinary	165,000	150,000

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

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

(3) Qualifying shares related to Dr. Abdulmohsen Medej Mohammed Al Medej and Mutlaq Mubarak Al Sanei are part of the whole shares of the Kuwait Investment Authority ownership.

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

#### Related parties:

Al Janabeya Company owns 218,898 shares and is related to the Chairman of the Board.

#### Nature and extent of transactions with related parties during 2013:

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	Chairman	Personal banking needs	BD 250,000	Fixed deposit rate over 0.75% p.a.	On demand	On demand	100% cash collateral
Jassem Hasan Ali Zainal	Board Member	Personal banking needs	BD 140,000	Base rate (0.5%) p.a.	On demand	On demand	Shares 43% plus fixed deposit of 3%

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



## Directors trading of Bank's shares during the year 2013

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 in person.

### 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 Board Secretary and shared with the Independent Directors.

### Board meeting attendance

During 2013, seven Board meetings at the Bank were held in the Kingdom of Bahrain in the following manner:

KEY: ● Attended ○ Absent

Quarterly Board meetings 2013				
Members	4 Feb	22 Apr	22 Jul	28 Oct
Murad Ali Murad	●	●	●	●
Aref Saleh Khamis	●	●	●	●
Mohamed Abdulrahman Hussain	●	●	○	●
Jassem Hasan Ali Zainal	●	●	●	●
Dr. Zakareya Sultan Al Abbasi	●	●	●	●
Sh. Abdulla bin Khalifa bin Salman Al Khalifa	●	●	●	●
Sh. Khalifa bin Duaij Al Khalifa	●	●	●	●
Dr. Abdulmohsen Medej Mohammed Al Medej	○	●	●	●
Mutlaq Mubarak Al Sanei	●	●	●	●
Elham Ebrahim Hasan	●	●	●	●
Yusuf Saleh Khalaf	●	●	●	●
Hassan Mohammed Mahmood	●	●	●	●

KEY: ● Attended ○ Absent

Other Board meetings 2013			
Members	4 Mar	4 Jun*	23 Dec
Murad Ali Murad	●	●	●
Aref Saleh Khamis	●	●	●
Mohamed Abdulrahman Hussain	●	●	●
Jassem Hasan Ali Zainal	●	●	●
Dr. Zakareya Sultan Al Abbasi	●	●	●
Sh. Abdulla bin Khalifa bin Salman Al Khalifa	●	●	●
Sh. Khalifa bin Duaij Al Khalifa	●	○	●
Dr. Abdulmohsen Medej Mohammed Al Medej	●	○	●
Mutlaq Mubarak Al Sanei	●	●	●
Elham Ebrahim Hasan	●	●	●
Yusuf Saleh Khalaf	●	●	●
Hassan Mohammed Mahmood	●	●	●

\* Unscheduled meeting held to approve the terms and conditions of the Capital Management paper.

## 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 2013.

The full texts for the Terms of Reference for Board Committees (Executive Committee, Audit Committee, Nomination, Remuneration & 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><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>Mutlaq Mubarak Al Sanei</b> Member</p> <p><b>Abdulkarim Ahmed Bucheery</b> Member</p> <p><b>Elham Ebrahim Hasan</b> Member</p>	<ul style="list-style-type: none"> <li>Not less than five members are appointed for a one year term.</li> <li>Minimum number of meetings required each year: 8 (actual meetings in 2013: 11).</li> <li>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.</li> <li>The quorum shall be of more than half of the members and must include the Chairman or the Deputy Chairman. The 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 Committee conducts an annual self-assessment of the performance of the Committee / members and report conclusions and recommendations to the Board.</li> </ul>	<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><b>Jassem Hasan Ali Zainal</b> Chairman (Independent)</p> <p><b>Sh. Khalifa bin Duaj Al Khalifa</b> Member (Independent)</p> <p><b>Yusuf Saleh Khalaf</b> Member (Independent)</p> <p><b>Hassan Mohammed Mahmood</b> Member (Non-Independent)</p>	<ul style="list-style-type: none"> <li>The Board appoints not less than three members for a one year term.</li> <li>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.</li> <li>Minimum number of meetings required each year: 4 (actual meetings in 2013: 4).</li> <li>Quorum shall be more than half of the members and must include the Chairman. The 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 Committee conducts an annual self-assessment of the performance of the Committee / members and report conclusions and recommendations to the Board.</li> </ul>	<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 & Corporate Governance Committee**

Members:	Summary terms of reference, roles and responsibilities:	Summary of responsibilities:
<p><b>Murad Ali Murad</b> Chairman (Independent)</p> <p><b>Dr. Abdulmohsen Medej Mohammed Al Medej</b> Deputy Chairman (Non-Independent)</p> <p><b>Sh. Khalifa bin Duaj Al Khalifa</b> Member (Independent)</p>	<ul style="list-style-type: none"> <li>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.</li> <li>The Chairman and the Deputy Chairman must be elected by members of the Committee in its first meeting after the appointment of the members.</li> <li>Minimum number of meetings required each year: 2 (actual meetings in 2013: 6).</li> <li>Quorum shall be more than half of the members and must include the Chairman or the Deputy Chairman. The 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 Committee conducts an annual self-assessment of the performance of the Committee / members and report conclusions and recommendations to the Board.</li> </ul>	<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 reflects the best market practices in corporate governance and makes recommendations to the Board as appropriate.</i></p>



Board Committees continued

Board Committees' composition, roles and responsibilities continued

Risk Committee

Members:	Summary terms of reference, roles and responsibilities:	Summary of responsibilities:
<p><b>Murad Ali Murad</b> Chairman (Independent)</p> <p><b>Dr. Zakareya Sultan Al Abbasi</b> Member (Non-Independent)</p> <p><b>Yusuf Saleh Khalaf</b> Member (Independent)</p> <p><b>Jassem Hasan Ali Zainal</b> Member (Independent)</p>	<ul style="list-style-type: none"> <li>At least four members are appointed for a 1 year term.</li> <li>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.</li> <li>Minimum number of meetings required each year: 4 (actual meetings in 2013: 6).</li> <li>The quorum shall be of more than half of the members and must include the Chairman or the Deputy Chairman. The 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 Committee conducts an annual self-assessment of the performance of the Committee/members and report conclusions and recommendation to the Board.</li> </ul>	<p>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.</p>

Board Committee meetings and record of attendance:

KEY: ● Attended ○ Absent

Executive Committee meetings 2013											
Members	3 Feb	3 Mar	2 Apr*	22 Apr	23 May	16 Jun	18 Jul	22 Sep	27 Oct	24 Nov	22 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	●	●	●	●	●	●	●	●	●	●	●

\* Previously unscheduled meeting.

Audit Committee meetings 2013					Risk Committee meetings 2013						
Members	3 Feb	21 Apr	21 Jul	27 Oct	Members	20 Jan	14 Apr	2 May*	7 Jul	6 Oct	26 Nov*
Jassem Hasan Ali Zainal	●	●	●	●	Murad Ali Murad	●	●	●	●	●	●
Sh. Khalifa bin Duajj Al Khalifa	●	●	●	●	Dr. Zakareya Sultan Al Abbasi	●	●	●	●	●	●
Yusuf Saleh Khalaf	●	●	●	●	Yusuf Saleh Khalaf	●	●	●	●	●	●
Hassan Mohammed Mahmood	●	●	●	●	Jassem Hasan Ali Zainal	●	●	●	○	●	●

\* Previously unscheduled meeting.

Nomination, Remuneration & Corporate Governance Committee meetings 2013						
Members	4 Feb	3 Mar	20 May*	1 Jul*	28 Oct	26 Nov*
Murad Ali Murad	●	●	●	●	●	●
Dr. Abdulmohsen Medej Mohammed Al Medej	○	●	●	●	●	●
Sh. Khalifa bin Duajj Al Khalifa	●	●	●	●	●	●

\* Previously unscheduled meeting.

## 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.

In 2013 the Bank has initiated the establishment 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 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 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](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.