

Investcorp Bank B.S.C.
Corporate Governance Report
to the
Ordinary General Meeting of Shareholders
September 26, 2017

The following Corporate Governance Report is presented to the September 26, 2017 Ordinary General Meeting of Shareholders (the “OGM”) of Investcorp Bank B.S.C. (“Investcorp”) in accordance with the High Level Controls Module (“Module HC”) of the Central Bank of Bahrain (the “CBB”).

Module HC requires Investcorp to report at each Ordinary General Meeting of Shareholders on its compliance with Module HC (which also requires compliance with the corporate governance disclosure requirements of the CBB’s Public Disclosure Module) and Investcorp’s Corporate Governance Guidelines.

Investcorp is in full compliance with all material provisions of Module HC and Investcorp’s Corporate Governance Guidelines except to the extent listed below:

- Module HC states as guidance that the Chairman of the Board of Directors should be an independent Director. As described in Investcorp’s Fiscal Year 2017 Corporate Governance Report which is a Supplement to Investcorp’s Fiscal Year 2017 Annual Report and is available to Shareholders at the OGM, Mr. Kirdar is not an independent Director. However, the Board of Directors believes that Mr. Kirdar is the most appropriate Director to serve as the Chairman of the Board of Directors given his wisdom and his many years of experience as the founder and Chief Executive Officer of Investcorp Bank.
- Module HC states as guidance that no Director of a Bahrain bank should hold more than three directorships in Bahrain public companies and a board of directors should not propose for reelection any director who does hold more than three such directorships. Mr. Almoayyed serves as a director of more than three Bahrain public companies. The Board of Directors does not believe there is any conflict of interest between service on the Board of Directors of Investcorp Bank by Mr. Almoayyed and his service on the other boards of directors. In addition, the Board of Directors believes that Mr. Almoayyed devotes the required time to his service on the Board of Directors of Investcorp Bank.
- Module HC states in guidance that a board of directors should meet once every quarter. The Board of Directors met twice in the first quarter of Fiscal Year 2017 and once in each of the third and fourth quarters of Fiscal Year 2017. The Board of Directors believes that meetings should be held when warranted rather than automatically in every quarter.
- Module HC states that a director of a Bahrain bank should not serve as a director of more than one Bahrain wholesale bank. Mr. Hisham Saleh Ahmed Al Saie also serves as a director of Global Banking Corporation B.S.C. and Mr. Abdullah Saud Alhumaidhi also serves as a director of Bank ABC B.S.C., each of which is licensed by the CBB as a wholesale bank. Consequently, Mr. Al Saie and Mr. Alhumaidhi each serve as directors of two wholesale banks. The Board of Directors believes that Mr. Al Saie and Mr. Alhumaidhi are excellent additions to the Board of Directors and each of them brings valuable experience to the Board of Directors.
- Module HC requires that Directors and other approved persons declare their interests in all other enterprises or activities (whether as a shareholder of greater than 5% of the

voting capital of a company, as a manager or other form of significant participation) to the Board of Directors or the Nominating or Audit Committee on an annual basis. These declarations are instead reviewed by the Corporate Governance Committee on the basis that this is consistent with the role played by the Corporate Governance Committee with respect to Investcorp Bank's corporate governance.

- Module HC provides that each Director and other approved person must make every practicable effort to arrange his personal and business affairs to avoid competing with Investcorp Bank. Three Directors of the Company, Mr. Al Saie, Mr. Mazrui, and Mr. Alhumaidhi have affiliations with other financial institutions. These institutions are Global Banking Corporation B.S.C., The National Investor, and Bank ABC B.S.C., respectively. Each of these financial institutions operates a business that could compete with Investcorp Bank. The Board of Directors is not aware of any instance in which there actually has been direct competition between Investcorp Bank and any of these financial institutions. However, consistent with its practice at previous OGMs, the Board of Directors will request shareholder approval of these affiliations at the OGM in accordance with Article 191 of the Commercial Companies Law.
- Module HC provides that the Nominating Committee should oversee directors' corporate governance education activities. Directors' corporate governance education activities are instead overseen by the Corporate Governance Committee on the basis that this is consistent with the Corporate Governance Committee's role with respect to Investcorp Bank's corporate governance.
- Module HC provides that no 'approved person' may take benefits from any investment that is managed by a bank or promoted to its clients. An 'approved person' is a director of a bank or any senior executive who has been specifically approved by the CBB for his or her position.

Many of Investcorp's Directors invest in Investcorp's investment products alongside Investcorp's clients and Investcorp's senior executives co-invest in Investcorp's products and participate in investment carried interest programs pursuant to Investcorp executive compensation programs on the same terms as other Investcorp employees. These investment participations by Investcorp Directors and its senior executives are consistent with the principle of alignment of interests among shareholders, clients and employees that has been a cornerstone of Investcorp Bank's corporate governance since it was first established, and Investcorp Bank does not believe that such alignment of interest is what this Module HC provision is attempting to prevent.