

Investcorp Bank B.S.C.
Corporate Governance Report
to the
Ordinary General Meeting of Shareholders
September 22, 2014

The following Corporate Governance Report is presented to the Ordinary General Meeting of Shareholders 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 Module HC and Investcorp's Corporate Governance Guidelines except to the extent listed below:

- Module HC provides that no director of a Bahrain bank should hold more than three directorships in Bahrain public companies. One of Investcorp's Directors, 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 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.
- Module HC requires that directors of banks 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. Two Directors of Investcorp, Mr. Mazrui and Mr. Al-Turki, have affiliations with other financial institutions. These institutions are The National Investor and Abraaj Capital, 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 Ordinary General Meetings, the Board of Directors is requesting shareholder approval of these affiliations at this Ordinary General Meeting 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 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.

- The Central Bank has amended Module HC to provide 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 officer who has been specifically approved by the Central Bank for that position.

Many of Investcorp’s Directors invest in Investcorp’s Corporate Investment, Real Estate Investment and Hedge Funds products alongside Investcorp’s strategic shareholders and clients and Investcorp’s senior executive officers co-invest in Investcorp’s products pursuant to Investcorp executive compensation programs on the same terms as other Investcorp employees. These investments by Investcorp Directors and its senior executive officers are consistent with the principle of alignment of interests among shareholders, clients and employees that has been a cornerstone of Investcorp’s corporate governance since it was first established and Investcorp does not believe that such alignment of interest is what this Module HC provision is attempting to prevent.