

BOARD OF DIRECTORS
CODE OF CONDUCT

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1. Introduction

- 1.1 The Board of Directors Code of conduct outlines the principles, policies and laws that govern the activities of the Bank, and to which the directors must adhere.
- 1.2 The purpose of this Code is to document and govern the basic standards and principles that the Bank has adopted to promote honest and ethical business conduct among its directors to avoid conflicts of interest and reasonably deter wrong doing and inappropriate or illegal acts.
- 1.3 The prescribed code does not attempt to address all the responsibilities of directors in promoting a sound and ethical culture, but is intended to provide general guidelines for direction of director behaviour. Since it is impossible to describe every potential conflict, the Bank necessarily relies on the directors' commitment to exercise sound judgement, to seek advice when appropriate and to adhere to the highest standards of conduct.
- 1.4 Breach of the code and failure to observe these policies by the directors may result in disciplinary action. Furthermore, violations of this code may also be violations of the law and may result in civil or criminal penalties against the directors.
- 1.5 Every director on the Board of the Bank is expected to read and understand this code and its application to the performance of his or her responsibilities. The Bank will hold each of its directors accountable for adherence to this code.
- 1.6 Each director will sign an acknowledgement that he or she has received and read the Code, and that he or she understands and agrees to abide by its provisions.

2. Code of conduct

- 2.1 The directors through this code of conduct, endorse the following principles:

2.1.1 Confidentiality

- To keep confidential Board discussions and deliberations.
- To maintain the appropriate level of confidentiality at all times with respect to information or data pertaining to the Bank's customers, suppliers, employees, or the Bank itself.
- Not to make improper use of information gained through the position as a director.
- To obtain approval of appropriate authority prior to making any public or other third party disclosure regarding the Bank.

2.1.2 Performance of duties

- To act professionally.
- To act with honesty, integrity and in good faith, with due diligence and care, in the best interest of the Bank and its stakeholders.
- * To act only within the scope of their responsibilities.

- To have a proper understanding of and competence to deal with the affairs and products of the Bank and to devote sufficient time to their responsibilities.
- Not to agree to the business of the Bank being carried out or cause or allow the business to be carried out, in a manner likely to create a risk of material loss to the Bank's creditors.
- To protect the assets of the Bank and help maintain their value.

2.1.3 Decision making

- To maintain sufficient/detailed knowledge of the Bank's business and performance to make informed decisions.
- To be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions of the Board.
- Not to agree to the Bank incurring an obligation unless he/she believes at the time, on reasonable grounds, that the Bank will be able to discharge the obligations when it is required to do so.
- Not to make any commitments on behalf of the Bank without prior approval of the Board of Directors.

2.1.4 Others

- Not to take undue advantage of the position of director.
- To ensure his/her personal financial affairs will never cause reputational loss to the Bank.
- To treat fairly and with respect all of the Bank's employees and customers with whom they interact.
- To ensure that employees, customers and suppliers of the Bank are treated fairly.
- Not enter into competition with the Bank .
- Not to accept or give gifts of significant value as a director of the Bank, except as governed by strict internal regulations.
- Not associate him or herself with any political group or indulge in any political activity which may effect the Bank in any way, without prior approval of the full Board.
- To ensure that the Bank's printed stationery or official logo is not misused for activities not relating to the Bank.
- To protect the Bank's assets from loss, damage, misuse and theft and to use the Bank's assets solely for business purposes. However, the occasional use of items such as copying facilities or telephones, where the cost is insignificant, is permissible.

3. Prohibition Against the Use of Insider Information

- 3.1 The Board shall ensure that policies are in place that prohibit insider trading.
- 3.2 Directors shall not, at any time, deal in any of the Bank's securities or securities of any other listed company when they are in possession of unpublished price-sensitive information in relation to those securities.
- 3.3 Directors shall not deal in the Bank's securities on considerations of short-term gains.
- 3.4 Directors shall not deal in any securities of the Bank, without first notifying the Board and receiving a form of acknowledgement. The Board shall notify the other directors and receive a form of acknowledgement. As a minimum, the Bank shall maintain a written record stating that the appropriate notification was given and acknowledged, which shall also serve as a written confirmation for the concerned director.
- 3.5 Directors shall not make any unauthorised disclosure of any confidential information, whether to co-trustees or any other person. Directors shall not use confidential information for their benefit or the benefit of others.
- 3.6 Directors and associated persons shall not purchase or sell any securities of the Bank during "Closed Periods" as stipulated by the CBB Disclosure Standards.
- 3.7 During the 30 days immediately preceding the preliminary announcement of the issuer's annual results and the announcement of the quarterly and half yearly results, or the announcement of dividends and distributions to be paid, a director, executive management and associated persons should not purchase any securities of the company nor should they sell any such securities unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met. (Central Bank of Bahrain dated December 2003 Disclosure Standards article 41.5)
- 3.8 The restrictions on dealings by directors shall be equally applicable to any dealings by their spouses, or by or on behalf of their dependents. It is the duty of the directors to seek avoidance of any restricted dealings at a time when they are not free to deal.
- 3.9 When directors place investment funds under professional management where they retain or exercise influence, the investment managers shall be made subject to the same restrictions and procedures as the directors themselves in respect of proposed dealings in the Bank's securities.
- 3.10 Directors who act as trustees of a trust should ensure that their co-trustees are aware of the identity of any company of which they are directors, so as to enable the co-trustees to anticipate possible difficulties. Directors/trustees shall avoid acting in breach of trust and refrain from divulging or abusing confidential information.
- 3.11 Any director who is a beneficiary, but not a trustee, of a trust which deals in the Bank's securities shall ensure that the trustees notify him/her after they have dealt in such securities on behalf of the trust, in order that he/she in turn may notify the Bank. The beneficiary shall ensure that the trustees are aware of the companies on which he/she is a director.
- 3.12 A list of directors dealing in the securities of the Bank since the date of the previous list shall be circulated to members of the Board or maintained in a register.

4. Policies to Prohibit Conflicts of Interest

- 4.1 The Board will ensure that policies are in place that prohibit (or strictly limit) potential conflicts of interest, in cases such as:
 - Related party transactions;
 - Potential misuse of corporate assets; and
 - Possible use of privileged information for personal advantage.
- 4.2 A member of the Board shall not have any interest, whether directly or indirectly, in transactions or contracts made for the account of the Bank, except with the authorization of the Annual General Meeting.
- 4.3 A director shall declare to the Board any personal interest, whether direct or indirect, he/she may have in matters brought before the Board. This declaration shall be recorded in the minutes and the interested director shall not participate in the debates or voting on the resolutions to be adopted in this respect.
- 4.4 Directors shall absent themselves from any discussions or decision-making that involves a subject in which they are incapable of providing objective advice or which involves a subject or proposed conflict of interest.
- 4.5 Where Board members are of the opinion that one or more members may hold a conflict of interest in any matter, the matter will be discussed by the remaining members. However, the excluded members should be informed of their exclusion prior to the decision.
- 4.6 All the Board members must declare in writing all of their interests in other enterprises or activities, to the Board, on an annual basis.
- 4.7 The Board shall also ensure that any decisions to enter into transactions under which Board members or any member of management would have conflicts of material interest are formally and unanimously approved by the full Board.
- 4.8 Directors shall not demand or accept substantial gifts from the Bank for himself/herself or his/her associates.
- 4.9 The Chairman of the Board shall communicate to the Annual General Meeting, when it is convened, the result with respect to the transactions and contracts in which any director has a personal interest. Such communication shall be accompanied by a special report from the auditor and the Bank shall disclose such transactions in its financial statements in accordance with applicable accounting standards and regulations.
- 4.10 Violation of such restriction shall result in claiming compensation from the member for the damages caused to the Bank. The said provision shall not apply to ordinary transactions that the Bank enters into with its customers. Those transactions made by way of public bidding shall, also, be exempted from this restraint if the member has submitted the best offer.