




BAHRAIN
MIDDLE EAST
BANK

بنك البحرين والشرق الاوسط

**Bahrain Middle East Bank B.S.C.
Charter of the Board of Directors**

 BAHRAIN MIDDLE EAST BANK بنك البحرين والشرق الأوسط	<i>CHARTER OF THE BOARD OF DIRECTORS</i>		
	<i>Approval Authority</i>	<i>Date Approved</i>	<i>Date previously approved</i>
	<i>BOD</i>	<i>02/06/2024</i>	<i>03/05/2018</i>

BOARD CHARTER

Central Bank of Bahrain ("CBB") guidelines require the Bank's Board of Directors ("the Board" or "Board") to adopt a formal "Board Charter" specifying its role and responsibilities.

This charter identifies matters currently reserved to the Board and tasks delegated to the Board sub-committees and Senior Management, including specific requirements and responsibilities of Directors.

BOARD'S ROLE AND RESPONSIBILITIES

The Board's role and responsibilities are governed by the Commercial Companies Law of the Kingdom of Bahrain, CBB laws, regulations and Rulebook, specifically the High-Level Controls Module, in addition to the Articles of Association of the Bank. In particular, the Board has:

- (a) A role which is distinct from the role of the Bank's shareholders (who elect the Board and whose interests the Board serves) and the role of the Bank's Senior Management (whom the Board appoints and oversees); and
- (b) Fiduciary duties of care and loyalty to the Bank and the shareholders.

The role of the Board has two fundamental elements:


- 1) Decision-making; and
- 2) Oversight.

The decision-making is exercised with respect to the formulation with Senior Management of business objectives, strategic goals and fundamental policies.

The oversight function concerns the review of Senior Management decisions, the adequacy of systems and controls and the implementation of policies.

The Board's principal duties and responsibilities is to:


- 1) Set out broad goals, strategies, business plans and budget for the Bank and monitor their implementation as well as set clear objectives and policies.
- 2) Set the "tone at the top" and play a leading role in establishing the Bank's corporate culture and values and oversee Senior Management's role in fostering and maintaining a sound corporate and risk culture.
- 3) Establish organization structure for day-to-day management and appoint Senior Management.
- 4) Allocation of lending to identified business sectors and setting monetary limits.
- 5) Manage risks by limiting exposures to excessive risk of all kinds (financial, legal and reputational).
- 6) Delegation of powers and authorities to Senior Management.
- 7) Ensure that no individual Director or group of Directors dominates the Board's decision-making, and no individual or group has unfettered powers of decision.

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- 8) Actively engage in the affairs of the Bank, keep up with material changes in the Bank's business and the external environment and act in a timely manner to protect the long-term interests of the Bank.
- 9) Establish robust Corporate Governance rules and Code of Ethics and Conduct and monitor their adherence by the Board, Management and employees.
- 10) Ensure the Bank's compliance with all relevant statutes, both internal and external.
- 11) Oversight of Senior Management to review management decisions, adequacy of systems, controls, processes and procedures in line with the Board approved policies.
- 12) Review of internal controls to ensure their efficiency and effectiveness and to ensure that:
 - the Bank has a robust Financial Control function responsible for accounting and financial data;
 - the Risk Management, Compliance and Internal Audit functions are properly positioned, staffed and resourced and carry out their responsibilities independently, objectively and effectively; and
 - Senior Management maintains an effective and transparent relationship with the CBB.
- 13) Review and approve Succession planning and business continuity plans.
- 14) Oversight of communications and financial disclosures to ensure their timeliness, accuracy, completeness and transparency and approve the annual and interim financial statements.
- 15) Actively oversee, with the assistance and advise of the NRCG, the remuneration system's design and operation for Approved Persons and material risk-takers and monitor and review Senior Management compensation and assess whether it is aligned with the Bank's remuneration policy, risk culture and risk appetite.
- 16) Protection of shareholders' interests and elimination of conflicts of interest.
- 17) Consider the legitimate interests of depositors, shareholders and other relevant stakeholders in their decision-making process.

The Directors are responsible, both individually and collectively, for performing their responsibilities.

The Board may delegate certain functions to its committees or Senior Management, but it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent Corporate Governance framework is in place.

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Corporate Culture and Values

In order to promote a sound corporate culture, the Board must:

- (a) Approve an appropriate Code of Conduct/ Ethics policy that must outline the acceptable practices that all Board members, Senior Management and other employees must follow in performing their duties, and the unacceptable practices/ conduct that must be avoided.
- (b) Set and adhere to corporate values that create expectations that the business must be conducted in a legal, professional and ethical manner, and oversee the adherence to such values by Board members, Senior Management and other employees.
- (c) Promote risk awareness within a strong risk culture, convey the Board's expectation that it does not support risk-taking beyond the risk appetite and risk limits set by the Board, and that all employees are responsible for ensuring that the Bank operates within the established risk appetite and risk limits.
- (d) Ensure that the corporate values, professional standards and codes of conduct it sets, together with supporting policies, are adequately communicated throughout the Bank.
- (e) Ensure that all Directors, Senior Management and other Bank employees are aware that appropriate disciplinary or other actions will follow unacceptable behaviour, practices and offenses.

BOARD COMPOSITION, DIRECTORS QUALIFICATIONS, NOMINATIONS, SELECTION AND TERM

Board Composition


The Bank must be headed by an effective and informed Board of Directors with strong business judgement and of a collaborative nature.

The number of Board members is set by the Bank's Articles of Association which states that the number of Directors should not be less than 5 and not exceed 15.

CBB categorizes Directors as "Independent Director", "Executive Director" and "Non-Executive Director" based on various criteria with a view to having a balanced representation of directors on the Board. The Bank shall follow CBB definitions and guidelines for selection of directors for various purposes and where necessary take its approval for deviations.

The Corporate Governance requirements in the CBB rulebook dictate that half of the Bank's Board of Directors be comprised of Non-Executive Directors and one third to be Independent (in case of Controllers on the Board). Minority shareholders must generally look to Independent Directors' diligent regard for their interests, in preference to seeking specific representation on the Board.

The Board shall regularly review its size and composition to assure that it is optimal for the Bank's size, level of business and small enough for efficient decision-making yet large enough to have members who can contribute from different specialties and viewpoints. Where appropriate, the Board can reconstitute

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itself and its committees by selecting new Directors to replace long-standing members or those whose contributions to the Bank or its committees is not adequate.

Director Qualifications

Directors are expected to possess the following:

- A career which demonstrates possession of requisite finance and business skills, practical experience and good business judgment to enable the candidate to contribute meaningfully to the Board's duties;
- Behavior which evidences commitment to highest ethical standards as embodied in the Bank's Code of Ethics Policy and Code of Conduct Policy;
- Absence of any conflicts of interest that may hold-back their ability to perform their duties independently and objectively and subject them to inappropriate influence from:
 - i. Other approved persons, controllers or other connected parties;
 - ii. Past or present positions held.
- Ability and willingness to commit sufficient time and effort to discharge duties as a Director.

Director Selection and Nomination

The Bank will follow a rigorous and transparent procedure for selection, nomination, appointment, training and evaluation of Directors.


All Director nominations are to be approved by CBB by undergoing an application for "Approved Person" status.

A Board member candidate shall have a maximum of two directorships of financial institutions inside Bahrain. However, two directorships of institutions within the same license category (e.g. Wholesale Bank) are not permitted.

A Board member candidate should not hold more than three directorships in public companies in Bahrain with the provision that no conflict of interest may exist.

The Board shall propose to shareholders for election or re-election of Directors. This proposal shall be accompanied by a recommendation from the Board in addition to a summary advice of the Nomination, Remuneration and Corporate Governance Committee ("NRCG") on the performance evaluation conducted by it with the following specific information:

- The term to be served (which may not exceed three years with no limit on re-election for further terms);
- Biographical details and professional qualifications;
- In case of an Independent Director, a statement that the Board has determined that the applicable rules and criteria for Independent Director have been met;
- Any other directorships held;
- Particulars of other positions held which involve significant time commitments;
- Details of relationships, if any, between (i) the candidate and the Bank and (ii) the candidate and other Approved Persons of the Bank.

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Potential Non-Executive Directors shall be made aware of their duties before their nomination, particularly the time commitment required.

At the time the Bank intends to have Board of Directors elections, it must announce to the market/media the opening of nominations in line with the rules and guidelines set by the regulators.

When proposing re-election of a Director, the Chairman of the Board shall confirm to the shareholders that a formal evaluation of the proposed Director shows performance that continues to be effective and that the proposed Director continues to demonstrate commitment to the role. Nomination to term exceeding 6 years shall be subject to a more rigorous review and shall take into account the need for progressive refreshing of the Board.

The NRCG shall regularly review the time commitment required from each Non- Executive Director and each Non-Executive Director should inform the Committee before accepting any board appointments to another company or Bank.

Director Term

Board members are elected for a term of three years by shareholders at the Ordinary General Meeting with no limitations on further renewals. However, where an Independent Director has served three consecutive terms on the Board, such Director will lose his independence status and must not be classified as an Independent Director if reappointed. This is as per CBB Volume 1- Rule HC-2.3.2.

Director Appointment

Once elected/re-elected by the shareholders, the Bank shall have a written appointment agreement with each Director reciting the powers, duties, responsibilities and accountabilities and other matters relating to his term, time commitment, committee assignments if any, his remuneration and expense reimbursement entitlement and his access to independent professional advice when it is needed.

BOARD STRUCTURE, MEETINGS AND DECISION-MAKING PROCESS


Chairman and Vice-Chairman

The Board members shall annually elect a Chairman and Vice-Chairman from among its members through a secret ballot. Copies of the resolution electing the Chairman and Vice-Chairman shall be submitted to the Ministry of Industry and Commerce and to the Central Bank of Bahrain.

The Chairman is deemed to be the Head of the Bank and shall represent it before third parties. His signature shall be deemed as that of the Board of Directors in respect of the Bank's relations with third parties. He is also responsible for the leadership of the Board and its efficient functioning. The Chairman shall commit sufficient time to perform his role effectively.

The Vice-Chairman shall assume Chairman's duties in his absence.

The Chairman shall not be an Executive Director. The Chairman and Vice-Chairman shall not be the same person as the CEO.

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Board Meetings and Attendance

The Board must meet frequently to enable it to discharge its roles and responsibilities effectively but in no event less than four times in a financial year with one meeting in each quarter.

The Board of Directors shall meet at the summons of its Chairman, Vice-Chairman or upon the request of at least two Directors. Notice of the meeting shall be sent out in writing 15 calendar days prior to the date of the meeting, however meetings can be held on short notice if approved by two-thirds of the Directors.

All Directors must attend Board meetings whenever possible. Non-attendance does not absolve the non-attending Directors of their responsibilities as directors. Each Director should allocate adequate time and effort to discharge his responsibilities.

CBB guidelines prohibit attendance and voting by directors by proxy in any Board Meeting in which they are unable to attend. In effect, this prevents a director from assigning another director or another person to act on their behalf in the meeting.

The Bank shall set up tele-conferencing to ensure Directors are able to attend meetings remotely if required.

Individual members must attend at least 75% of all Board meetings in a given financial year. If a Board member has not attended at least 75% of meetings, the Bank shall notify CBB within one month from its financial year-end, indicating which member has failed to satisfy this requirement, level of attendance and any mitigating circumstances affecting his/her non-attendance. This is as per CBB Volume 1- Rule HC- 3.1.10.

The absence of Board members at Board or committee meetings shall be noted in minutes of the meetings.

Board attendance percentage shall be reported during any general assembly meeting when Board members stand for re-election.

Board members shall step down if they are not actively participating in board meetings

The Bank shall submit to CBB, on an annual basis, as an attachment to the year-end quarterly PIR, a report recording the number of Board meetings held during the year.


At least half the Board meetings of the Bank in any twelve-month period must be held in the Kingdom of Bahrain.

Quorum

Quorum of the Board meeting shall consist of at least half of the total Board members, provided that the number of those present is not less than three. A new meeting must be convened if the quorum has not been attained.

Voting and Resolutions

All Board decisions including resolutions are made by simple majority of the members present. In case of a tie vote, the Chairman (or in his absence Vice Chairman) will have a deciding vote. A disagreeing member of the Board shall record his disagreement in the minutes of the meeting.

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The Board may adopt resolutions, except in relation to approval of the Bank's financial statements, by correspondence, including post, electronically, fax, tele-conferencing, videoconferencing or any other audio/visual communication method provided that in order for resolutions taken in this manner to be valid, they shall be approved by all members and recorded in the minutes of the following Board meeting. This is in contrast to resolutions drawn during meetings where only a simple majority is required. Any member to whom a proposed resolution is sent to his place of residence and who fails to respond within three working days following the date on which the proposed resolution is sent to him shall be considered to have approved the resolution.

Voting by proxies for Board meetings is prohibited at all times. Invited experts and Senior Management are also barred from voting. Directors are also prohibited from voting on any contract, matter arrangement or any other proposal in which they have a material interest in, whether directly or indirectly.

Board Meeting Agenda and Directors' Participation

Chairman of the Board shall be responsible for setting the agenda for Board meetings.

The Chairman shall ensure that all Directors receive the agenda, minutes of prior meetings and adequate background information in writing at least 15 calendar days before each Board meeting and when necessary, between meetings.

All Directors shall receive the same Board meeting information. Conversely, Directors have the legal duty to inform themselves and ensure that they receive adequate and timely information and must study it carefully.

The Board must be collegial and deliberative, to gain benefit of each individual Director's judgment and experience. The Chairman must take an active lead in promoting mutual trust, open discussion, constructive disagreement and support for decisions after they have been made.

The Board may invite non-directors to participate in the meetings, not to vote, but so as to benefit from their expertise and advice on financial matters and other areas.

All Directors shall contribute actively to the work of the Board to discharge their responsibilities and make every effort to attend Board meetings where major issues are to be discussed.


Directors' Independence, Judgment and Decision-making Process

Every Director must bring independent judgment to bear in decision-making. No individual or group of Directors should dominate the Board's decision-making and no one individual should have unlimited powers of decision.

Executive Directors must provide the Board with all relevant business and financial information within their knowledge, and must recognize that their role as a Director is different from their role as a member of Senior Management where relevant.

Non-Executive Directors must be fully independent of Management and must constructively analyze and challenge Management including the management performance of Executive Directors.

The Board shall assign a sufficient number of independent Board members capable of exercising independent judgment. The Board shall review the independence of each of these designated Independent Directors at least annually in light of interests disclosed by them, and their conduct. Each

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Independent Director shall provide the Board with all necessary and updated information for this purpose.

To facilitate free and open communication among Independent Directors, each Board meeting shall be preceded or followed with a session at which only Independent Directors are present (unless otherwise decided by the Independent Directors themselves).

Representation of all shareholders by Directors

Each Director must consider himself as representing all shareholders and must act accordingly.

The Board must avoid having representatives of specific groups or interests within its membership and must not allow itself to become a battleground of vested interests.

If a Director falls under CBB definition of "Controller", he or she must recognize the responsibility to other shareholders, which is direct and is separate from that of the Board of Director role.

Directors' Access to Independent Advice and Board Secretary

The Board-authorized individual Directors are to have access to independent legal and professional advice at the Bank's expense whenever they judge it necessary to discharge their responsibilities as Directors.

Whenever a Director has serious concerns on running of the Bank or a proposed action which cannot be resolved, he or she should consider seeking independent advice and should ensure that the concerns are recorded in the minutes and any disagreement from Board's action is noted or delivered in writing.

Upon resignation, a Non-Executive Director should provide a written statement to the Chairman, for circulation to the Board, if he/she has any concerns on running of the Bank or a proposed action.

All Directors shall also have access to the Bank's Board Secretary, who has responsibility for reporting to the Board on the Board's procedures.

Authority for the appointment and removal of the Board Secretary is vested only with the Board and not with the CEO or any other officer.


Directors' Communication and Access to Senior Management

Non-Executive Directors shall have free access to the Bank's Senior Management beyond that provided in Board meetings. Such access shall be through the Chairman, Vice-Chairman, Chairman of Audit & Risk Committee or CEO. The Board makes this policy known to Management to recognize the Directors authority in this regard.

The Board will encourage participation by Management on matters the Board is considering, and also by Senior Management members who, by reason of responsibilities or succession, the CEO believes should have exposure to the Directors.

Committees of the Board

To assist the Board in fulfilling its roles and responsibilities, CBB requires Boards to create the following committees: Audit, Risk, Remuneration, Nomination and Corporate Governance Committees. It may also establish specialized committees such as an Executive Committee when needed.

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Establishment of Board committees shall not mean that the role of Board is diminished or fragmented.

CBB permits combining of committees, with their prior approval, provided no conflicts of interest arise between the duties of such committees. In addition, objectivity and independence must be ensured by the selection of appropriate Board members for each committee.

Currently, the Board has established the following Board committees:

- 1) Executive Committee (EXCO) - Reviews business performance and makes recommendations to the Board on business decisions.
- 2) Audit & Risk Committee (ARC) - Undertakes responsibilities concerning the integrity of the financial statements and financial reporting process and controls, audit matters and risk reporting and processes as well as ensuring adequate control environment within the Bank.
- 3) Nomination, Remuneration and Corporate Governance Committee (NRCCG) - Recommends Director and Senior Management candidates and oversees the remuneration system of the Bank. In addition, the committee will be responsible for ensuring the Bank's compliance with the applicable corporate governance requirements and processes.


The committees:

- Shall have formal written charters on models recommended by CBB which sets out its roles and responsibilities, how the committee will report to the Board, what is expected of committee members and any tenure limits for serving on the committee. The charters shall be reviewed once every three years (or earlier as required) and approved by the Board on the recommendation of the committee concerned;
- Shall have appropriate membership, which addresses issues of potential conflicts of interest between their duties as per CBB guidelines;
- Shall act only within their mandates and therefore not allow any individual or group of Directors to dominate or effectively replace the whole Board in its decision-making;
- May invite non-directors to participate in, but not to vote, at their meetings to benefit from their expertise and advice on financial or other areas;
- Shall meet regularly to fulfill their mandated tasks and maintain appropriate record of meeting minutes and appropriate records of their deliberations and decisions including key points of discussions held, recommendations made, decisions taken (and update on their subsequent implementation) and opposing opinions (if any) so that key decisions taken and how they are arrived at can be traced;
- Shall carry out an annual evaluation and assessment of the performance of the Board, its committees and individual Board members– alone or with the assistance of external experts – with reference to its specific purpose and responsibilities (by using CBB evaluation guidelines); and
- Shall ensure that all the Corporate Governance requirements are adhered to by the Bank at all times.

Evaluation of the Board, Board committees and Directors

The Board shall conduct annual evaluation of its own performance and the performance of each of the Board committees and individual Directors.

Evaluation is the responsibility of the entire Board. However, it may be organized and assisted by a Board committee and, when appropriate, with the help of external experts.

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The Board shall report to the shareholders, at each annual shareholder meeting, that evaluations have been done and report its findings.

The evaluation process must include:

- a) Assessing how the Board operates, especially in light of its roles and responsibilities and in terms of the requirements of the CBB Rulebook and the Commercial Companies Law;
- b) Evaluating performance of each committee in light of its specific purposes and responsibilities, which shall include review of the self-evaluations undertaken by each committee;
- c) Review of each Director's work, his/her attendance at Board and committee meetings, and his/her constructive involvement in discussions and decision-making;
- d) Reviewing, based on the NRCG's advice and assessment, the Board's current structure, size, composition as well as committees' structures and composition in order to maintain an appropriate balance of skills, diversity and experience and for the purpose of planned and progressive refreshing of the Board; and
- e) Recommendations for new directors to replace long-standing members or those members whose contribution to the Bank or its committees is not adequate.

Where the Board has serious reservations about the performance or integrity of a Board member, or he ceases to be qualified, the Board must take appropriate action and inform the CBB accordingly. This is as per CBB Volume 1- Rule HC- 3.1.2.

PERSONAL ACCOUNTABILITY OF DIRECTORS

All Directors who are granted "Approved Person" status by CBB must have full loyalty to the Bank.


Being a part of the Board with responsibility for setting "Tone at the top", Directors must conduct their affairs with a high degree of integrity complying with all applicable laws, regulations and codes.

All Directors must recognize that under Commercial Companies Law they are personally accountable to the Bank and its shareholders if they violate their legal duty of loyalty to the Bank and can be personally sued by the Bank or shareholders for any violations.

Directors have the following personal accountabilities:

Corporate ethics and code of conduct

- 1) Commitment to the laws, regulations and best practice standards;
- 2) Adherence to Bank's Code of Conduct Policy in performing their duties;
- 3) Conduct business based on good corporate governance values, accountabilities and fiduciary responsibilities to various stakeholders of the Bank;
- 4) Refrain from offering and acceptance of bribes and misuse of Bank's assets;
- 5) Maintain customer confidentiality;
- 6) Act with honesty, integrity, leadership, professionalism and in good faith, with due diligence and care keeping in view the best interests of the Bank, its shareholders and other stakeholders;
- 7) Act within the scope of the responsibilities and refrain from participating in the day-to-day management of the Bank;

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- 8) Have proper understanding and competence to deal with the affairs and products of the Bank and devote sufficient time towards those responsibilities;
- 9) To act as a check and balance on Senior Management (by independently assessing and questioning the policies, processes and procedures of the Bank with intention of initiating Senior Management action on issues requiring improvements);
- 10) Not to use Bank's property for personal needs, not to disclose Bank's confidential information or use it for personal profit, not to take Bank's business opportunities for personal benefit, not to compete in business with the Bank and serve Bank's interest in any transactions involving "personal interests". "Personal interest" is considered to exist in a transaction with a company if:
 - a) Director himself/herself; or
 - b) A member of the family (Spouse, father, mother, sons, daughters, brothers or sisters); or
 - c) Another company in which he/she is a director or controller, is a party to the transaction or has material financial interest in the transaction or are expected to derive material personal benefit from the transaction (excluding interests of insignificant values).

Avoidance of conflicts of interest

All Directors must arrange their personal and business affairs so as to avoid conflict of interest with the Bank. The best practices expect a Director:

- 1) Not to enter into competition with the Bank;
- 2) Not to demand or accept substantial gifts from the Bank for self or connected persons;
- 3) Not to misuse Bank's assets;
- 4) Not to use Bank's privileged information or take advantage of business opportunities to which the Bank is entitled, for himself/herself or his/her associates; and
- 5) Absent themselves from any discussion or decision-making on a matter where they are incapable of providing objective advice or which involves a subject or transaction where a conflict of interest exists.

If the Bank is entering into a transaction in which a Board member would have conflict of interest that is material, the decision to enter into such a transaction must be formally and unanimously approved by the full Board after taking into consideration any abstention.


Disclosure of conflicts of interest

Directors must inform the full Board of any potential conflict of interest in their activities with, and commitments to other organizations as they arise and abstain from voting on such matters. This disclosure must include all material facts in the case of a contract or transaction involving the Director.

Every year and on annual basis all Directors must declare in writing all of their other interests in other enterprises or activities, whether:

- 1) As a shareholder of over 5% of the voting capital of a company; or
- 2) As a manager; or
- 3) Any other form of significant participation.

All Directors must disclose and periodically update any information on his/her potential conflicts of interest.

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All Directors or shareholders who have a personal interest in a transaction in which the Bank is involved must declare and seek advance approval by the Board or shareholders.

BOARD DUTIES, RESPONSIBILITIES AND WORKING

Independence of the Board and committees

To properly discharge its functions, the Board must operate truly independently of the Bank's Senior Management.

The Bank seeks to maintain a proper level of independence in its Board and committees in five ways:

- 1) By having Independent Directors and allocating the post of the Chairman of the Audit & Risk Committee to an Independent Director;
- 2) By establishing procedures which allow for the Board and its committees:
 - (a) to meet independent of Management and any Non-Independent or Executive Directors (if any) at their complete discretion; and
 - (b) to have direct access to Management and employees of the Bank, the Bank's Internal or External Auditors or any other professional advisors or consultants retained by the Bank without the presence or permission of Bank Senior Management;
- 3) By vesting with the Board, through its Audit & Risk Committee, the direct management of the Bank's external and internal audit functions, completely independent of Management;
- 4) By providing for the retention of outside independent professional experts and advisors by the Board, its committees or individual Directors, at the Bank's expense; and
- 5) By allowing a Board committee or an individual Director to call a meeting of the entire Board to discuss any matter deemed to be of major significance.

Board's duties, responsibilities and workings are detailed under various headings below:


Approval of business plans and review

The Board is responsible for setting broad goals and strategies for the Bank and set clear objectives and policies. In discharging of these responsibilities, the Board shall:

- a) Take into account business opportunities, major change in Bank's lines of business, including new products, their risks, market and other external factors as well as the financial condition and competitive position of the Bank, including its strengths and weaknesses when approving the business plans;
- b) Review Bank's business plans and inherent level of risk in those plans;
- c) Assess the adequacy of capital to support business risks; and
- d) Oversee major capital expenditures, divestments and acquisitions, if any.

Each year, the Board also approves the Bank's business and operating budget for the year and reviews performance against the approved budget and key performance indicators.

As required by circumstances, the Board will conduct more frequent reviews of the Bank's strategy and financial plan and make revisions where needed.

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BMB shall notify in writing to CBB any major changes to its strategy or corporate plan prior to implementation.

Compliance with laws

The Bank operates in a regulatory environment with various laws and regulations which directly affect its conduct of business.

The Board has responsibility for setting up the "Tone at the top" at the Bank and oversees Bank's compliance with all regulatory requirements. It has to ensure that all Directors, Senior Management and employees conduct their affairs with a high degree of integrity taking note of the applicable laws, regulations and codes.

Non-compliance may result in "Compliance risks" such as legal or regulatory risks, material or financial loss, loss of reputation etc. Non-compliances arise due to failure to comply with laws, regulations, rules, reporting requirements, standards and codes of conduct applicable to the Bank's activities.

The Board shall review on a regular basis management of the Bank's compliance policy to ensure its effectiveness and adherence. BMB will follow, to the best extent possible, guidelines of the Basel Committee on compliance and compliance functions.


Risk recognition and assessment

The Board has responsibility for adoption and review of systems and control framework. As part of this responsibility, it will ensure that the Bank puts in place appropriate systems and controls including Board structure and organization structure matching with the Bank's business and associated risks.

The Board will ensure that collectively it has sufficient expertise and resources to understand, identify, measure and mitigate significant risks to which the Bank is exposed to in its business activities.

The Board will regularly review and assess the systems and control framework to assure itself as well as demonstrate to CBB that:

- a) The Bank's operations, individually and collectively are measured, monitored and controlled by appropriate, effective and prudent risk management systems matching with the scope of the Bank's activities;
- b) The Bank's operations are supported by an appropriate control environment. The compliance, risk management and financial reporting functions are adequately resourced and functioning independent of business lines and that individuals in these functions are not running business areas on a day-to-day basis;
- c) The Bank's Senior Management develop, implement and oversee the effectiveness of comprehensive "Know Your Customers" (KYC) standards with on-going monitoring of accounts/transactions as per requirements of relevant laws, regulations and best banking practices;
- d) The Control environment ensures:
 - i. client confidentiality
 - ii. non-violation of Bank's privacy
 - iii. protection of client's rights and assets
- e) When the Board identifies any significant issues or deviations, appropriate and timely actions will be taken to address them.

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The Board will also approve the level of risks that the Bank will accept as part of its business strategy and plan. The Board formalizes both the types and amounts of accepted risks through the approval of risk limits, which serve as the basis for the delegation of authority to Bank's Senior Management to implement the Bank's risk policy.

Oversight of Senior Management performance

The Board is ultimately responsible for the performance and affairs of BMB. Since the Board delegates certain responsibilities to Senior Management for day-to-day management of the Bank, the Board has oversight responsibility to review the performance of Management.

Oversight monitoring is mainly to ensure that Senior Management and employees conduct affairs of the Bank within approved policies with a high degree of integrity, taking note of applicable laws, codes and regulations.

Monitoring takes place through both formal and informal sessions. Board committees and individual Directors will meet and interact with Senior Management of the Bank on a frequent basis to maintain awareness of the Bank's business and performance.

The Board shall conduct Senior Management review truly independent of Management based on published reports and audit reports which provides an effective set of "checks and balances" to the actions and assumptions of Management.

The Board shall review Senior Management's performance in terms of:


- a) Performance of the Bank's business, business achieved against set targets and key performance indicators;
- b) Establishment of appropriate policies, procedures and systems in place to properly monitor and manage all the risks;
- c) Internal controls framework to ensure integrity of Bank's financial controls, management reporting systems as well as risk limits and controls, compliance with laws, Bank's policies and decision-making process;
- d) Enforcement of Corporate Governance Policies, Code of Conduct Policy and Code of Ethics Policy;
- e) Personal performance of Senior Management and those heading controlled functions to determine if the employees are performing satisfactorily.

Corporate Governance

As part of the Bank's commitment to good corporate governance, the Board has approved a robust Corporate Governance Policy and mandated its adherence by the Board, Senior Management and employees.

The Bank shall take the following further steps:

- a) Publish its Corporate Governance Policy on the Bank's website and /or its corporate governance report in its annual report;
- b) Corporate governance shall be listed as an item on the agenda of the shareholders' meeting for information and to encourage any questions from shareholders. The Bank will follow and adopt any further guidelines or templates issued by CBB as a guide for corporate governance discussions; and

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- c) In compliance of High-Level controls recommended by CBB, the Bank shall adhere to the principle of "Comply or Explain" and submit an annual report to the shareholders and CBB demonstrating its compliance or explaining extent of non-compliance or variances, if any, and justifications thereof.

Corporate Ethics, Code of Conduct and Conflicts of Interest

The Board has responsibility to:

- a) Establish a written Code of Conduct (containing corporate standards, ethics and code of conduct linked to the objectives of the Bank, and its responsibilities and undertakings to customers, shareholders, employees and the wider community giving examples or expectations of honesty, integrity, leadership and professionalism) and distribute it to its members, Senior Management and employees so that all concerned understand the importance of conducting business based on good corporate governance values and understand their accountabilities to the shareholders and various stakeholders of the Bank;
- b) Establish a Conflict of Interest Policy on identifying and managing potential conflicts of interest related to all approved persons;
- c) Establish and disseminate to its members, Senior Management and employees "policies and procedures" for the identification, reporting, disclosure, prevention or strict limitation of potential conflicts of interest including matters such as related party transactions, the misuse of assets belonging to bank, and the use of privileged information for personal advantage (insider trading).

To promote a culture of integrity, the Board, Senior Management and employees of the Bank shall commit to the laws and best practice standards, including:


- a) Accounting standards;
- b) Industry best practices of transparency (such as ensuring that information to clients is clear, fair, and not misleading);
- c) Good employment practices (include rules concerning health and safety of employees, training);
- d) Policies on the acceptance and giving of business courtesies, prohibition on the offering and acceptance of bribes, and potential misuse of Bank's assets;
- e) Dealing promptly and with care disputes and complaints from clients;
- f) Monitoring of compliance with the Code of Ethics Policy; and
- g) Customer confidentiality.

While the Board establishes and disseminates the above, Senior Management has the responsibility to ensure their implementation.

Disclosure and Transparency

Disclosure and transparency shall remain a core principle of the Bank. In furtherance of this, the Board shall:

- Oversee the process of disclosure and communications with internal and external stakeholders.
- Ensure that disclosures made by the Bank are fair, transparent, comprehensive and timely and reflect the character of the Bank and the nature, complexity and inherent risks in the Bank's business activities.

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- Ensure reporting of financial results and financial condition of the Bank in an accurate, transparent and understandable manner.
- Review disclosure policies to be in compliance with CBB's guidelines and best banking practices.

“Whistleblower” Policy

The Board has adopted a “Whistleblower Policy” document under which employees can confidentially raise concerns about possible improprieties in financial or legal matters. Employees are encouraged to communicate confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable practices. Under the policy, concerns may be communicated directly to the Chairman of the Audit & Risk Committee or as set out in the Whistleblower policy and in case of material concerns, escalation can be to the CBB.

Induction, Training and Continuing Education of Directors

In addition to rigorous and transparent procedures for nomination and appointment, the Bank shall follow a policy of proper induction, training, continuing education and evaluation of the Directors.

When a new Director is appointed, the Chairman of the Board, assisted by Bank's Legal Counsel or Compliance Officer, shall review the Board's role and duties with that person, particularly covering legal and regulatory requirements. Also, Chairman shall ensure that each new Director receives formal and tailored induction and has access to ongoing training on relevant issues which may involve internal or external resources to ensure his effective contribution to the Board.

New Directors will participate in an orientation program, which will include:

- Meeting with Senior Management, Internal and External Auditors and Legal Counsel;
- Visit to the Bank's facilities;
- Senior Management presentations on Bank's business and strategic plans, significant financial, accounting and risk management issues and compliance programs;
- Bank's Corporate Governance practices and code of conduct; and
- Anti-Money Laundering (AML) / Combating the Financing of Terrorism (CFT) training programs.


The continuing Directors can attend orientation meetings.

All Directors must continually educate themselves on the Bank's business and developments in the banking industry. Each Director is required to complete 15 hours of Continuous Professional Development (“CPD”) training and retain records of those completed hours in compliance with the Bank's policies.

Remuneration of Directors

The Bank shall remunerate Directors fairly and responsibly.

Remuneration of Non-Executive Directors must not include performance-related elements such as grants of shares; share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.

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Directors' remuneration is subject to the Shareholder approved Remuneration Policy. For more information, refer to the Remuneration Policy.

Communication between the Bank's Board, Shareholders, Controllers and Stakeholders

The Bank shall communicate with shareholders to encourage their participation and respect their rights.

The Chairman of the Board (and other Directors as appropriate) must maintain continuing personal contact with controllers to solicit their views and understand their concerns. The Chairman must ensure that the views of shareholders are communicated to the Board as a whole.

The Chairman must discuss governance and strategy with controllers.

Given the importance of market monitoring to enforce the "Comply or Explain" approach, the Board shall encourage investors, particularly institutional investors, to help in evaluating Bank's corporate governance.


When the Bank has one or more controlling shareholders, the Chairman and other Directors must actively encourage the controllers to make a considered use of their position so as to respect and preserve the rights of minority shareholders.

Conduct of shareholder meetings

The Board has responsibility for convening shareholder meetings and preparing agenda for the meetings.

The Board shall observe both the letter and the intent of the Commercial Companies Law requirements for shareholder meetings, among other things:

- a) Nature of the business of the meetings is clearly stated and agenda as well as notice of meeting is clear, transparent, accurate, honest and not misleading;
- b) Meetings are held during normal business hours and at a place convenient for the greatest number of shareholders to attend;
- c) Notices of meetings will encourage shareholders to attend shareholder meetings and, if not possible, to participate by proxy and will refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy agreement will list the agenda items and will specify the vote (such as "yes," "no" or "abstain");
- d) Notices will ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting, including but not limited to any recommendations or dissents of Directors;
- e) The Board will propose a separate resolution at any meeting on each substantially separate issue, so that unrelated issues are not "bundled" together;
- f) In meetings where Directors are to be elected or removed, the Board will ensure that each person is voted on separately, so that the shareholders can evaluate each person individually;
- g) The Chairman of the meeting will encourage questions from shareholders, including questions regarding the Bank's corporate governance guidelines;
- h) Disclosure of all material facts will be made to the shareholders by the Chairman prior to any vote by the shareholders; and

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- i) The minutes of the meeting will be made available to shareholders upon their request as soon as possible but not later than 30 days after the meeting;
- j) Disclosure of all material facts must be made to the shareholders by the Chairman prior to any vote by the shareholders.

All Directors shall be required to attend and be available to answer questions from shareholders during the meeting and, in particular, the Chairs of the Audit & Risk Committee and NRCG be ready to answer appropriate questions on matters within their jurisdiction (recognizing that confidential and proprietary business information must be kept confidential).

The Bank's External Auditor shall also attend the annual shareholders' meeting to answer shareholders' questions concerning the conduct and conclusions of the audit.

The Bank must maintain a website and dedicate a specific section to describe shareholders' rights to participate and vote at each shareholder's meeting, and post important documents relating to meetings including the full text of notices and minutes.

The Bank may also consider establishing an electronic means for shareholders' communications including appointment of proxies. For confidential information, the Bank will try to grant controlled access to its shareholders.

In notices of meetings at which Directors are to be elected or removed the Bank will try to ensure that:

- a) Where the number of candidates exceeds the number of available seats, the notice of the meeting will explain the voting method by which the successful candidates will be selected and the method to be used for counting of votes; and
- b) The notice of the meeting, wherever possible, fairly represents the views of candidates.

Disclosure of conflicts of interest to shareholders


The Bank shall disclose in its annual report to the shareholders all abstentions from voting resulting from conflicts of interest and also disclose any authorization of conflict of interest contract or transaction in accordance with the Commercial Companies Law.

MANAGEMENT STRUCTURE AND DELEGATION OF AUTHORITIES

Since the Board does not run the Bank directly, it has responsibility to establish an appropriate management structure to suit the business needs of the Bank and appoint key management persons to run its day to day affairs. It also delegates appropriate authorities to Management, defining the limits of power and authority, to manage the Bank's business.

Delegations of authority have to conform to statutory limitations which specify responsibilities of the Board that cannot be delegated to Management. Any responsibilities not delegated to Management shall remain with the Board and its committees.

Since the Board has ultimate responsibility to shareholders, in fulfilling its responsibilities, the Board shall have unrestricted access to Management and authority to select, retain, terminate, and approve the fees of any independent legal, accounting, or other advisors to assist it in discharging its responsibilities effectively.

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Management structure

The Board will establish a clear and efficient management structure.

The Board will appoint Senior Management whose authority will include management and operation of the Bank's business activities under their direction and whom will be reporting to the Board.

The Senior Management positions will be considered by the Board as appropriate from time to time and shall include:

- 1) Chief Executive Officer
- 2) Chief Financial Officer
- 3) Risk Manager
- 4) Compliance Officer/Money Laundering Reporting Officer
- 5) Internal Auditor
- 6) Board/Corporate Secretary

Titles, authorities, duties and reporting responsibilities

The Board delegates the responsibility for the day-to-day implementation of the strategy, policies and procedures it approves to the Senior Management of the Bank.

The Board (with the advice of the NRCG and in consultation with the CEO) will issue formal letters of appointment to Senior Management, prescribing their title, authorities, duties, accountabilities and internal reporting responsibilities.

Senior Management duties shall be those laid down in CBB Rulebook and as determined by the Board.

The Board shall specify from time-to-time limits setting authority of CEO and other Senior Managers (such as monetary maximum for transactions) which they may authorize without requiring separate Board approval.

Senior Management will report to the CEO with the exception of those heading Internal Audit, Risk Management and Compliance as they will report directly to the Board or its committees, as appropriate.

Senior Management works through business units and/or specialist departments and cross-departmental committees.


Succession planning

The Board will annually review and concur on a succession plan addressing the policies and principles for selecting a successor to the CEO as well as all approved persons, both in emergencies and in the normal course of business. The succession plan shall also include an assessment of the experience, performance, skills and planned career paths for possible successors.

Conduct of Business

The Board approves business strategy and resource allocation at the macro level.

Senior Management organizes lines of business and develops detailed plans to implement the business strategy of the Bank.

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Risk control

The Board determines which major risks the Bank is willing to accept and sets risks limits. In conformity with local law, regulation and the Bank’s own policy, the Board sets specific risk limits by aggregate types of risk and specific obligor and counterparty limits.

To enable the daily functioning of the Bank’s business, the Board will delegate specific authorities to the Executive Committee of the Board and Senior Management to approve extensions of credit, commitments and overages of existing facilities and limits. Such delegated authorities will be approved in writing by the Board on at least an annual basis.

Board shall develop and communicate comprehensive policies outlining all aspects of the Bank’s risk management framework, with the allocation of sufficient staff resources to effectively implement the policy.

Board shall ensure that the Bank has comprehensive management reporting programs through which the Board and Senior Management regularly receive information on the Bank’s risk exposures from business units and the Risk Management function.

Internal control and reporting

The Board approves all policies and procedures of the Bank and approves the systems for monitoring compliance. The Board is responsible for overseeing the accounting policies of the Bank. To ensure independent monitoring, the Board retains direct management of both the Internal and External Audit functions.

Senior Management is charged with the day-to-day implementation of these policies and procedures in an effective manner. It is also charged with the maintenance of the financial records of the Bank in a manner which complies with the Bank’s applicable accounting policies, laws and regulations. It should also ensure that financial reports accurately reflect the Bank’s performance and financial condition.

Personnel Management

The Board (through the NRCG) approves the Human Resources Policy of the Bank and the approval of the NRCG is required for the hiring/dismissal of any officer above the rank of Senior Vice President. Senior Management is charged with day-to-day management of the personnel of the Bank, including developing and implementing staff training and development, staff performance appraisals, etc.