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# **MEMORANDUM OF ASSOCIATION**

**AND**

# **ARTICLES OF ASSOCIATION**

**OF**

**BANK OF BAHRAIN AND KUWAIT B.S.C.**

**A Bahraini Public Shareholding Company**

**April 2003**

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# **ARTICLES OF ASSOCIATION**

**OF**

**BANK OF BAHRAIN AND KUWAIT B.S.C.**

**A Bahraini Public Shareholding Company**

**April 2003**

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**BANK OF BAHRAIN AND KUWAIT B.S.C.  
Bahraini Public Shareholding Company**

**MEMORANDUM OF ASSOCIATION**

On the 6<sup>th</sup> day of Safar 1424 AH corresponding to 8<sup>th</sup> day of April 2003 AD

Before me, Noora Jassim Al Najjar, Chief Notary at the Office of the

Notary Public for the Kingdom of Bahrain

In the presence of the two witnesses:

1. Naji Ezzat Al Shafie, Egyptian National, holding CPR No. 601007573
2. Sa'ad Mohamed El Hooty, Bahraini national, holding CPR No. 480015988

The two witnesses being of full legal competence and confirming the identity of those present.

There appeared:

Bank of Bahrain and Kuwait BSC, a Bahraini Public Shareholding Company incorporated and registered in the Kingdom of Bahrain under No. 1234 on 27.03.1971, represented by Murad Ali Murad, Bahraini national, holding CPR No. 43001354 in his capacity as representative of all shareholders of the Company and authorized signatories of the amended Memorandum of Association and Articles of Association pursuant to a resolution passed by the Extraordinary General Meeting held on 2<sup>nd</sup> March 2003 and certified by the Chairman and the Secretary of the General Meeting of the Shareholders of the Company.

**Recitals:**

**Whereas:**

1. Bank of Bahrain and Kuwait B.S.C. (the "Bank") was incorporated as a Bahraini Public Shareholding Company (the "Company") on 18<sup>th</sup> Muharram 1391 AH corresponding to 16<sup>th</sup> March 1971 AD by Amiri Charter issued by H.H. Shaikh Isa bin Salman Al Khalifa in his capacity as the then Ruler of

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Bahrain and Dependencies (the “Memorandum of Association”). Attached thereto was the Articles of Association of the Bank (the “Articles of Association”). The Company was registered in the Commercial Register under No.1234 on 27.3.1971. The expression “the Company” shall whenever used in the Memorandum of Association or Articles of Association mean “the Bank” and “the Bank” shall mean “the Company”.

2. The Bank has undertaken and still undertakes inside and outside the Kingdom of Bahrain various types of banking business according to the objects provided for in the Bank’s Memorandum of Association and Articles of Association and in accordance with the provisions of laws, regulations and ministerial resolutions in force from time to time in the Kingdom of Bahrain.
3. The Bank has made subsequent amendments to the provisions of the Memorandum of Association and Articles of Association in the light of legislative developments taking place in the Kingdom of Bahrain since the incorporation of the Bank, and in particular in compliance with the requirements of the Commercial Companies Law No.21 for the year 2001 (the “Law”) and its Implementing Regulations issued by Ministerial Resolution No.6 for the year 2002 (the “Implementing Regulations”), the Bahrain Monetary Agency Law, the Commercial Law, the Bahrain Stock Exchange Law and the other laws regulating the business of companies, banks and commerce in general, and pursuant to approval by the Central Bank of Kuwait dated 17.6.2002 as to the amendment to the Agreement entered into with the Bank on 12.7.1977 with respect to Kuwaiti shareholding in the Bank and its branch in Kuwait.
4. Pursuant to recommendations made by the Board of Directors, the Extraordinary General Meeting of the Bank resolved at its meeting held with a legal quorum on 2<sup>nd</sup> March 2003 to approve the following amended text of the Memorandum of Association and the Articles of Association attached thereto after having been approved by all official authorities concerned in compliance with the requirements of the Law, the Implementing Regulations and the Bahrain Monetary Agency Law issued by Decree Law No.23 for the year 1973. The General Meeting empowered the Chairman of the Board of Directors or any person empowered by him, to sign the amended version before the Notary Public, the Ministry of Commerce and any other department concerned and to take all necessary actions as required in order to effect the amendments hereinafter provided:

**IT IS THEREFORE AGREED AS FOLLOWS:**

**Article 1: Recitals Deemed part of the Memorandum of Association**

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The recitals hereinabove shall be deemed to be an integral part of this Memorandum of Association and shall be read and construed together with it for all purposes.

## **Article 2: Name of the Company**

The name of the Company shall be “Bank of Bahrain and Kuwait” to be followed by the expression “A Bahraini Public Shareholding Company” or the letters “B.S.C.”.

## **Article 3: Company Principal Office and Legal Domicile**

The registered principal office of the Company and its legal domicile shall be in the City of Manama, Kingdom of Bahrain. The Board of Directors may establish branches, agencies or offices for the Bank inside or outside the Kingdom of Bahrain according to rules applicable in the relevant countries.

## **Article 4: Objects of the Company**

Subject to observance of the provisions of the laws, rules, regulations and resolutions in force and in particular the Law, the Implementing Regulations and the Bahrain Monetary Agency Law No.23/1973 and provided the Bank shall have obtained the necessary licence, the Bank may undertake the following activities:

1. to undertake for the Bank’s own account or the account of third parties inside or outside the Kingdom of Bahrain all banking and commercial business using various means, channels and products thereof and to provide the services comprising said business, complementary thereto or necessary therefor including without limitation opening and operation of bank accounts of all types whether current, fixed, term or savings accounts, and taking, maintaining and replacement of savings deposits inside or outside the Kingdom of Bahrain in any currency, whether being in the form of current or fixed deposits, lending and borrowing of money under overdraft accounts and simple credits and discounting of bills of exchange providing finance for import and export operations, opening documentary letters of credit, accepting and providing guarantees for drafts made thereunder, including tenure draft, issuing of letters of bank guarantees of all types, issuing cheque books for use by the Bank’s clients, cheques drawn on other banks or institutions or on the Bank itself, traveller’s cheques, personal letters of credit and other types of banking transactions;
2. to deal in cash and all kinds of foreign exchange business and to carry on the purchase, sale, transfer, acquisition, exchange and holding foreign exchange, and to open and manage accounts in foreign currencies for the Bank and its clients;

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3. to draw, accept, endorse, discount, issue, buy, sell and deal in bills of exchange, promissory notes and other negotiable or transferable instruments of all types and option rights;
4. to act as underwriter for issue of shares of public shareholding companies and to provide technical advisory services for investment and capital raising;
5. to accept securities in cash or in kind including real estate mortgages, business mortgages or liens according to conditions governing the validity and enforceability of such deeds;
6. to enter into contracts and incur liabilities, borrow money, issue debentures and to provide security for any of its obligations by real estate mortgage or other pledges in kind in respect of all or any of its properties;
7. to provide investment management services to individuals and institutions whether government, private or joint;
8. to own and keep lands, buildings and houses for the purposes of use by the Bank or its employees and for its activities or otherwise within the limits and for the periods as allowed by the laws in force from time to time;
9. to provide, take part or participate in providing all kinds of financing, lending and financial facilities services as part of local and international Islamic financing activities;
10. to incorporate, acquire or hold shares in the capital of one or more companies carrying on business similar to that of the Bank or financial or banking institutions or pension funds and to act as owner of or shareholder in these companies and institutions;
11. to appoint share Registrars and brokers, list the shares of the Bank in the Bahrain Stock Exchange or any other Stock Exchange to the extent permitted by the applicable laws and as approved by the authorities concerned;
12. to acquire Bank shares (Treasury Shares) in the number and according to the rules and conditions provided for in the Commercial Companies Law, Ministerial Resolutions and Official Circulars and to keep, sell or dispose of such shares in any lawful disposition method;
13. to provide specialized staff and expertise, management services, data collection and processing by use of applicable technology and to obtain technical services needed for the proper running of the Bank's business and in order to enable it to be abreast of modern technology, and to provide training

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facilities for Bank staff and improve the standard of their performance whether within the Bank or externally at international institutions;

14. (a) to enter into contracts or any partnerships or co-operation arrangement with any other company, establishment or person carrying on business that falls within the objects of the Company or complementary or is supplementary thereto;
- (b) for purpose of attaining its objects, the Bank may enter into agreements with insurers operating inside Bahrain or abroad within the provisions of the applicable laws in order to act as broker for the promotion, marketing and sale of all types of insurance services and related policies issued by them;
15. to acquire, or merge with any establishment, company or partnership which carries on business activities similar or supplementary or complementary thereto, or buy or acquire properties and rights and undertake the obligations and transactions related thereto;
16. to carry on the Company business directly or through any subsidiary, allied or associated company, and to enter into any agreement with any such entity for taking profits and bearing losses of any business so undertaken, or for financing or guaranteeing liabilities of associated companies or make any other arrangement which may seem desirable, including the power to discontinue any such business;
17. to lend money to Company employees and use its credit for the purpose of assisting its employees to obtain housing and personal loans from other credit facilities institutions and banks;
18. to establish, finance or contribute to the financing of one or more benefit funds for the benefit of any of the managers, officers or employees of the Company or of subsidiaries the objects of which may include, without limitation, the provision of pensions, provident fund benefits or acquisition of option rights or options to buy Company shares by parties eligible pursuant thereto;
19. to allocate annually or periodically funds within the Bank budget as recommended by the Board of Directors and approved by the Ordinary General Meeting for contributions to charitable, cultural, educational, social, and humanitarian activities and other similar institutions;
20. to provide brokerage services in securities;



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21. to do all or any of the above things either as principal, agent, trustee, contractor or otherwise and either alone or in conjunction with others and either by or through agents, sub-contractors, trustees or otherwise;
22. to have an interest or participation in any manner in companies and other entities that carry on similar business activities and assist it in attainment of its objects both inside and outside the Kingdom of Bahrain, merge with the aforesaid companies, acquire or otherwise be amalgamated therewith according to the provisions of the Commercial Companies Law and its Implementing Regulations;
23. to do all such things as may be deemed incidental or conducive to the attainment of the above objects or any of them.

#### **Article 5: Duration of the Company**

The duration of the Company shall be indefinite.

#### **Article 6: Authorized Share Capital**

The authorized share capital of the Bank is BD 100,000,000 (One hundred Million Bahraini Dinars) divided into 1,000,000,000 (One billion) shares each with a nominal value of 100 Fils.

#### **Article 7: Issued and Paid-up Share Capital**

1. The issued and paid up share capital of the Bank is BD 56,906,250 (Fiftysix Million and nine hundred and six thousand and two hundred fifty Bahraini Dinars) divided into 569,062,500 (Five hundred and sixty nine million and sixty two thousand five hundred) shares each with a nominal value of 100 Fils (One hundred Fils).
2. The shareholders have subscribed to all the issued share capital and paid their value in full.

#### **Article 8:**

The Articles of Association attached to this Memorandum of Association shall be deemed to be complementary to and form an integral part hereof.

#### **Article 9:**

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This Amended Memorandum of Association has been made pursuant to notice of no objection received from the Directorate of Company Affairs at the Ministry of Commerce by their Letter dated 1.4.2003.

**Article 10:**

All expenses and fees in respect of this Amended Memorandum of Association and its full legalization shall be debited to the Company's general expenses.

(Sgd.) Murad Ali Murad  
Authorised Signatory

\_\_\_\_\_  
First witness

\_\_\_\_\_  
Second Witness

In witness whereof, this Memorandum of Association is made in one original and three copies which were signed by all the parties and by myself. The parties concerned were given three copies to act in accordance therewith.

Notary Public  
(Stamp)

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**Bank of Bahrain and Kuwait B.S.C.  
A Bahraini Public Shareholding Company**

**ARTICLES OF ASSOCIATION**

On the 6<sup>th</sup> day of Safar 1424 AH corresponding to the 8<sup>th</sup> day of April 2003 AD

Before me, Noora Jassim Al Najjar, Chief Notary at the Office of the

Notary Public of the Kingdom of Bahrain

In the presence of the two witnesses:

1. Naji Ezzat Al Shafie, Egyptian National, holding CPR No. 601007573
2. Sa'ad Mohamed El Hooty, Bahraini national, holding CPR No. 480015988

The two witnesses being of full legal competence and confirming the identity of those present.

There appeared:

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**Section I**

**Incorporation**

**Article 1: Incorporation of the Company – Memorandum of Association and Articles of Association**

Bank of Bahrain and Kuwait (a Bahraini Public Shareholding Company) has been incorporated in 1971 under a licence issued therefor by the Government of Bahrain. The Memorandum and Articles of Association of the Company were amended in

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different times in compliance with the laws then in force. Additional amendments were made to ensure compliance with the requirements of the provisions of the Law and its Implementing Regulations issued by Ministerial Resolution No.6 for the year 2002.

## **Article 2: Name of the Company**

The name of the Company shall be “Bank of Bahrain and Kuwait”, to be followed by the expression a Bahrain Public Shareholding Company or the letters “B.S.C.”.

The Extraordinary General Meeting may by resolution change the name of the Company in accordance with the provisions of Article 52 (4) of the Articles of Association, Article 67 of the Law and Article 62 of the Bahrain Monetary Agency Law.

## **Article 3: Principal Office and Legal Domicile of the Company**

The Principal Office of the Company and its legal domicile will be situated in the City of Manama, Kingdom of Bahrain. The Board of Directors may establish branches, offices or agencies for the Company in the Kingdom of Bahrain or abroad according to the rules in force in the concerned countries.

## **Article 4: Objects of the Company**

The objects for which the Company was formed shall be as provided in Article 4 of the Memorandum of Association.

## **Article 5: Duration of the Company**

The duration of the Company shall be indefinite.

# **Section II**

## **Capital of the Company**

### **Chapter I**

#### **Shares**

## **Article 6: Authorized Share Capital**

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The authorized share capital of the Bank is BD 100,000,000 (One hundred Million Bahraini Dinars) divided into 1,000,000,000 (One billion) shares each with a nominal value of 100 Fils.

#### **Article 7: Issued and Paid-up Share Capital**

1. The issued and paid up share capital of the Bank is BD 56,906,250 (Fiftysix Million and nine hundred and six thousand and two hundred fifty Bahraini Dinars) divided into 569,062,500 (five hundred and sixty nine million and sixty two thousand five hundred) shares each with a nominal value of 100 Fils (one hundred Fils).
2. The shareholders have subscribed to all the issued share capital and paid their value in full.

#### **Article 8: Shares of the Company**

Shares in the Company are nominal and negotiable and will be indivisible, but two or more persons may jointly own one share provided that only one person shall represent the joint owners in relation to the Company. Joint owners of a share will be jointly liable for the obligations in respect of the ownership of such share.

#### **Article 9: Share Register & Share Certificates**

1. The Company shall maintain at its Principal Office and with the appointed Share Registrar or any other entity appointed by the Company, a Shareholders' Register wherein there shall be recorded the Shareholders' names, addresses, domiciles, nationalities and number of shares owned by each of them. Any disposal of the shares shall be recorded in the Register including any transfer or mortgage of shares by the shareholders and the date of such transfer or mortgage.
2. Every shareholder shall have the right of access to the said Register and the Ministry of Commerce and the Bahrain Stock Exchange shall be furnished with the details entered in the Register and any amendment made thereto.
3. Share Certificates shall be prepared in the manner provided in Article 117 of the Law and shall be issued from a book with serialized counterfoils. Every Certificate must be signed by two members of the Board of Directors and sealed with the Company seal.

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## **Article 10: Rights and Obligations of Shareholders**

1. Shareholders are members in the Company and shares in the Company shall confer equal rights and create equal obligations. Ownership of shares in the Company shall inevitably entail acceptance of the provisions of the Memorandum of Association and the Articles of Association of the Company and resolutions legally passed by its General Meeting.
2. A Shareholder shall have the rights provided in Article 168 of the Law.
3. A Shareholder shall have the obligations provided in Article 169 of the Law and in particular the following obligations:
  - (a) to pay any instalments undertaken to be paid by the Shareholder on due date with respect to his subscription in the Company share capital, any increase thereof or expenses incurred for the purpose of collection of unpaid instalments;
  - (b) to pay arrear interest accrued on instalments due from him without the need for notice, once the date of payment became due and had passed. If a Shareholder fails to pay an instalment that became due on the value of the share on its due date, the Board of Directors may proceed with execution of said share by giving notice to the shareholder to that effect by registered mail with recorded delivery. If the shareholder fails to pay within 10 days of the date of receipt of notice, the Company may sell his shares at the Bahrain Stock Exchange or by public auction. However, the defaulting shareholder may, before the date fixed for the said auction, pay the amount due together with the expenses incurred by the Company;

The Company shall deduct from the amount realized out of the sale of such shares, the delayed instalments together with expenses incurred and the balance shall be paid to the share's owner. If the proceeds of sale are insufficient to cover these amounts, the Company may have recourse to the usual methods for recovering the balance from the shareholder. A shareholder shall not be liable except to the extent of the value of his shares or the unpaid portion of such values. Neither the General Meeting nor the Board of Directors may impose any obligation on the shareholder in excess of the value of his shares, without prejudice to the right of the Company to exercise against the defaulting shareholder at the same time or any other time all the rights available to it under the general provisions of the Law.

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4. The General Meeting of Shareholders may not:
  - (a) increase the financial liabilities of the shareholders nor increase the value of the share except within the ambit of the provisions of the Law;
  - (b) reduce the percentage specified in the Articles of Association of the Company of net profits to be distributed as dividends to the shareholders;
  - (c) impose any new conditions other than those contained in the Articles of Association of the Company with respect to the right of a shareholder to attend General Meeting and vote thereat;
  - (d) restrict the right of a shareholder to institute action against all or some of the Directors in respect of compensation for damages suffered by him pursuant to the provisions of Law.

#### **Article 11: Negotiability of Shares and Temporary Share Certificates**

1. The Company may buy its own shares (Treasury Shares) in the cases and in accordance with the rules specified by a Resolution of the Minister of Commerce.
2. Shares and temporary share certificates may be traded according to the Bahrain Stock Exchange Law and its International Regulations. Non-Bahraini nationals shall have the right to own and deal in the Company shares according as an exception from certain provisions of Article 119 of the Law pursuant to a Resolution of the Minister of Commerce in this respect.
3. Disposition of shares shall not be considered effective as against the Company or third parties unless entered in the Share Register referred to in Article 9 hereinabove.
4. The Company may refuse to register the sale of a share in the events set out in the Article 119 referred to above of the Law.
5. The Company may suspend the registration of share transfers during the period between the date of notice of convening the General Meeting and the date on which the said Meeting is actually held.
6. Notwithstanding the transfer of shares and the registration of transfer in the Shares Register, the original shareholders and successive transferors shall

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remain jointly liable with the transferees in respect of amounts due but unpaid to the Company until the full value of the shares is paid.

**Article 12: Mortgage of Shares and Temporary Share Certificates and Disposal Thereof**

1. Shares and temporary certificates may be mortgaged, endorsed and disposed of in any other manner. Such disposition shall be governed by the provisions of Paragraphs 3 and 4 of Article 11 hereinabove. A notation shall be entered on the back of a mortgaged share certificate to indicate that the share is mortgaged. A creditor mortgagee's rank shall be established as of the date of entry of the mortgage in the Share Register or with the Share Registrar. A creditor mortgagee shall have the right to receive dividends and exercise the rights accruing to the shares, unless otherwise agreed in the mortgage deed. However, a creditor mortgagee may not attend the General Meetings of the Company nor participate in its deliberations or approve its resolutions.
2. A registered mortgage of a share shall not be discharged except by declaration by the creditor mortgagee accepting such discharge of mortgage or by a final court order. Such discharge shall be entered in the Share Register.

**Article 13: Company's Funds & Assets May Not Be Attached**

1. Neither shareholders' heirs nor their creditors may seek, for any reason whatsoever, to place a seal on the Company's books, financial securities or properties or ask for its division or sale. They may not, in any manner whatsoever, interfere in the management of the Company. In exercising their rights they shall rely on the Company's records and financial statements and resolutions of the General Meeting.
2. Company assets may not be attached for the recovery of any debts due from one of the shareholders. The shares of a debtor shareholder and dividends accruing thereto may, however, be attached. An entry of the attachment shall be made in or removed from the Share Register maintained by the Company pursuant to receipt of notice from a legally competent authority. An attachment is not cancelled except by another notice from the said authority.
3. General Meeting resolutions shall be binding on the attachor and the creditor mortgagee to the same extent as they are on the shareholder whose shares are attached or mortgaged without such party acquiring the rights of membership of the Company.



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## **Section II**

### **Alteration of Capital**

#### **Article 14: Increase of Authorized Capital**

The Company's authorized capital may be increased by resolution of the Extraordinary General Meeting on the recommendation of the Board of Directors in accordance with the provisions of Articles 49 and 50 of the Implementing Regulations.

#### **Article 15: Increase of Issued Capital**

1. The issued capital of the Company may be increased within the limits of the authorized capital by resolution of the Ordinary General Meeting, which shall determine the manner of such increase in accordance with the provisions of Articles 125 and 126 of the Law, provided that the capital shall not be increased except after the shareholders have paid in full all the issued capital. The actual issued capital shall be increased within three years following the date on which a resolution authorizing the increase is issued, provided that the nominal value of the new shares shall be equivalent to the value of the original shares. The Extraordinary General Meeting may, however, resolve to issue shares at a premium to be added to the nominal value and may fix the value of such premium. The net total of said premium shall be added, after deduction of expenses of the share issue, to the Legal Reserve Account even if it amounts to half the capital. The Ministry of Commerce and the Bahrain Stock Exchange shall be furnished with reports and reasons necessitating an increase in all cases of increase of capital.
2. Priority to subscribe to the new shares shall be given to existing shareholders in the manner specified in Articles 128 and 129 of the Law, and the Company shall follow the procedures set out in the said two Articles.
3. If the new shares are offered for public subscription, a subscription prospectus shall be prepared and shall include in particular the information required by Article 130 of the Law. The prospectus shall be signed by the Chairman of the Board of Directors and the Auditor who shall jointly be responsible for the accuracy of the details stated therein.
4. (a) For the purpose of increase of its capital the Company may have one or more underwriters to subscribe to the shares remaining unsubscribed for according to the provisions of Article 93 of the Law.

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- (b) Underwriter(s) contracted by the Company with respect to the remaining shares shall purchase all the shares remaining unsubscribed for by shareholders entitled to do so and they shall have shares allotted to them as provided hereinabove. Underwriter(s) may offer shares to which they have subscribed for public subscription through the Bahrain Stock Exchange.
5. The Board of Directors shall publish the resolution issued in approval of the capital increase in the Official Gazette and one local daily newspaper. Such resolution shall be registered with the Commercial Register within one month from the date of increase.

#### **Article 16: Reduction of Capital**

The Extraordinary General Meeting may resolve to reduce the capital of the Company if the same is in excess of its needs or if there has been a loss and the Company resolves to reduce its paid up capital to the actual value thereof according to provisions of Articles 132 to 137 of the Law.

#### **Article 17: Preference Shares**

1. The Extraordinary General Meeting may, by numerical majority of shareholders, representing two thirds of the capital at the time of capital increase, resolve to issue preference shares of one or more classes subject to the terms specified in the said resolution and the prospectus as approved by the competent authorities with respect to the class or classes of preference shares, the number of shares to be issued in each class, the priorities and rights attaching to these shares, and their order of priority in respect of voting and their share in the profit or liquidation proceeds and any other conditions provided all the above shall be in conformity with the provisions of the Law and its Implementing Regulations applicable in this respect and that shares of the same class shall be equal in rights, priorities and restrictions.
2. The conditions governing subscription in the above mentioned preference shares of any class may, without limitation, include the following:
  - (i) Preference shares issued in certain class or classes shall have priority over dividends provided that such dividends shall be non-cumulative so that no dividends may be distributed to holders of ordinary shares unless dividends of the holders of preference shares are declared and distributed in full to them. In any year, where no declaration is made of distribution of non-cumulative dividends for preference shares, holders of these shares shall have no right to claim in the following years any of these undeclared dividends which they were not entitled to receive.

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- (ii) Holders of preference shares shall have no pre-emptive rights on ordinary or any other shares issued by the Company but shall have pre-emptive rights on issues of preference shares of the same class.
- (iii) The holders of preference shares shall, in accordance with the terms and conditions contained in the prospectus, have priority over the Company's assets on liquidation up to the extent of the par value of the preference shares in addition to any unpaid declared dividends. Their rank in priority on such assets shall be senior to the rank of holders of ordinary shares but junior to the rank of creditors.
- (iv) Subject to the right of the holders of ordinary shares for subscription in preference shares, the Company shall have the right to dispose of the shares remaining unsubscribed for by allotting them in the manner it deems fit.
- (v) The Company shall have the right of redemption over preference shares issued by it according to redemption conditions set out in the prospectus upon the lapse of fixed period or periods of time or on the occurrence of such special redemption circumstances as stated in the prospectus.
- (vi) Since preference shares are redeemable according to the prospectus as stated in Paragraph (v) above, and as they constitute no part of fixed capital, the provisions of the Law with respect to Statutory Reserve shall not apply to said preference shares.
- (vii) The Company shall invite the holders of preference shares to the General Meetings of the Company at which they shall have the right to attend and to take part in the deliberations but they shall have no right to vote at such meetings, provided the meeting shall not approve any substantial change that may adversely affect the rights of the holders of preference shares unless only with the written approval of no less than 51% of the holders of preference shares or by approval of holders of 51% of the preference shares present or represented at a meeting attended by shareholders representing at least two thirds of the preference shares.
- (viii) A special Register shall be maintained at the Company wherein there shall be entered the issued preference shares and all dispositions taking place with respect to them.

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### **Section III**

#### **Debentures**

##### **Article 18: Issue of Debentures**

1. The Company may borrow by issuing debentures by resolution of the Ordinary General Meeting following a proposal by the Board of Directors indicating the extent of the Company's need for borrowing and the conditions for issue of debentures, subject to approval of the Bahrain Monetary Agency, if the debentures are issued in foreign currencies or in local currency if offered on international markets. The resolution of the Ordinary General Meeting may authorize the Board of Directors to fix the date of issuing the debentures which shall take place within two years following the date of the resolution.
2. Debentures may not be issued unless the issued capital of the Company has been fully paid up and the balance sheet and profit and loss account for at least two financial years are published.
3. The total value of debentures issued by the Company shall not exceed the issued and paid up capital and non-distributable reserves according to the most recent balance sheet approved by the General Meeting, but the Company, being a commercial bank regulated by the Bahrain Monetary Agency, is exempted from this provision pursuant to the provisions of Article 141 of the Law.
4. Debentures shall be nominal, or made to bearer and negotiable, having equal value or denominations on the issue date and shall have a maturity of no less than two years. Debentures of the same issue shall confer upon their holders equal rights as against the Company.

##### **Article 19: Cover of the Value of Debentures**

The Company may cover the value of debentures by one of the following two methods:

1. By floating debentures by means of public subscription in which case the rules and provisions prescribed for share subscription in the Articles of Association and the Commercial Companies Law shall be applicable to the extent it that does not conflict with the nature of the debentures.
2. By sale of debentures through banks, finance and investment companies and underwriters, in which case the prevailing custom and practice shall be applicable without being in conflict with the provisions of the applicable Law.

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#### **Article 20: Subscription in the Offered Debentures or Giving Up the Loan**

If 50% or more of the debentures offered for public subscription are subscribed for during the fixed period or any other extended period for subscription, such subscription shall be deemed to have been completed, otherwise the General Meeting may either give up the loan and refund amounts of subscriptions to subscribers or be satisfied with the number of debentures subscribed and cancel the balance.

#### **Article 21: Other Provisions Relating to Debentures**

1. Reference shall be made to Articles 138 to 146 of the Law for any rules or provisions relating to debentures to which reference is not made in these Articles of Association.
2. Resolutions of the General Meeting of shareholders shall apply to holders of private debentures. Said resolutions shall not, however, affect the established rights of the debenture holders unless they give their consent in the special Meeting of Debenture Holders referred to in Article 162 of the Law.

#### **Article 22: Convertible Debentures**

The Company may, upon a proposal giving reasons by the Board of Directors, issue bonds convertible to shares. Such issue shall in all respects be governed by the provisions of Articles 149 to 154 of the Law pertaining to these debentures.

### **Section IV**

#### **Administration of the Company**

#### **Article 23: Board of Directors**

1. The Company shall be administered by a Board of Directors consisting of 12 (twelve) members to be appointed and/or elected respectively in accordance with the provisions of the Articles of Association. The number of directors may be varied according to Paragraph 4 of this Article subject to the provisions of the Law.
2. A shareholder who owns 10% or more of the capital shall be entitled to appoint his representative on the Board of Directors proportionately to the total number of Board members, so that one member shall be appointed for each 10% shareholding in the capital, and the shareholder shall forfeit his right of voting to the extent of the percentage or percentages of shares for which an

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appointment is made. If the shareholder still holds a percentage that is not enough to make him eligible for appointment of another member, he may use such percentage in voting with the other shareholders who have the right to elect members of the Board of Directors (other than appointed members) in accordance with the provisions of Paragraph 3 of this Article.

3. After making the appointments for membership of the Board of Directors by eligible shareholders through application of the provisions of Paragraph 2 above, the Ordinary General Meeting shall elect the remaining number of members of the Board of Directors by secret ballot. The election shall be by simple majority of proper votes subject to the provisions of said Paragraph 2 above with respect to eligibility for voting in the election which shall be based on a list or lists of qualified nominees presented to the Chairman of the Board of Directors before the date of the General Meeting at which elections are scheduled to take place and after obtaining the approval of the Bahrain Monetary Agency in respect of such nominations.
4. The Ordinary General Meeting may from time to time determine the number of members of the Board of Directors otherwise than specified in Paragraph 1 above, provided the number of members shall at no time be less than five. The purpose of determining the number of members in this manner is to include the number of members appointed pursuant to Paragraph 2, the members and those elected pursuant to Paragraph 3 of this Article as well as the expert members of the Board of Directors who are not shareholders but appointed from time to time by the General Meeting pursuant to Article 26 of these Articles.
5. Members of the Board of Directors shall be elected for a three year renewable term. A corporate person who has appointed one or more members of the Board may replace them by others whether during the said period or on its expiry. An elected member of the Board may be re-elected upon the expiry of his term of office, and this shall be considered to be a new nomination which requires satisfaction by such member of all the terms and conditions required to be satisfied by a person nominated for the Board membership for the first time as set out in Article 23 of these Articles. The term of office of the Board of Directors may be extended by Resolution of the Minister of Commerce for a period not exceeding six months at the request of the Board.
6. No person shall be appointed or elected to membership of the Board of Directors unless he consents in writing thereto.

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#### **Article 24: Qualification of Membership of the Board of Directors**

A member of the Board of Directors shall have the qualifications provided in Article 173 of the Law. However, members with expertise who are neither founders nor shareholders of the Company and who are appointed by the General Meeting pursuant to Article 26 of the Articles of Association shall be exempted from the provisions of Paragraph (c) of the said Article with respect to ownership of qualifying shares.

If a Board member forfeits any of the aforesaid conditions, he shall cease to be a member of the Board of Directors from the date of forfeiture, subject always to the provisions of the following Article.

#### **Article 25: Membership Qualifying Shares**

Membership qualifying shares referred to in the preceding Article and Article 177 (c) of the Law shall be assigned as security for guaranteeing the proper performance by the member. Said shares shall be deposited with the Bank within one month of the date of election or appointment of the member who shall not be entitled to make any disposition whatsoever in relation to it until the lapse of the member's term of office and until approval of the balance sheet for the last year during which he served as a member and in respect of which he is absolved of responsibility for his management.

If membership qualifying shares are not deposited during the period specified in the preceding paragraph, the member shall forfeit his membership. Such membership shall also be forfeited, if the qualifying shares are diminished for any reason during the term of office and the shortfall is not made up within 30 days from the date of such shortfall.

#### **Article 26: Appointment of Expert Directors**

The Ordinary General Meeting may appoint a number of persons with expertise to be members of the Board of Directors who are not founders or shareholders in the Company in such number and with powers as the Board of Directors may deem necessary in order to serve the interest of the Company and provide the necessary technical, administrative, scientific skills and practical experience for the Company, and subject to satisfaction by such members of the requirements of Ministerial Order No.10 for the year 2002 with respect to qualifying conditions required to be met by members of the Board of Directors who are not founders or shareholders, and subject also to the number determined for members of the Board of Directors according to provisions of Paragraphs 1 and 2 of Article 23 of these Articles of Association.

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#### **Article 27: Termination of Membership of Directors**

A director's membership of the Board of Directors terminates in the following events:

1. If he was appointed or elected contrary to the provisions of Law or Articles of Association.
2. If he loses any of the qualifying conditions referred to in Article 23 above or in Articles 173 and 174 of the Law.
3. If he misuses his position as director in carrying on business that is competitive to that of the Company or if he causes actual damage to it.
4. If he fails to attend three consecutive meetings of the Board without lawful excuse notified in writing to the Board, and the Board shall resolve on this matter as it may deem fit.
5. If he resigns or withdraws from his office, provided the foregoing shall be done in an opportune time, otherwise he shall be liable to pay damages to the Company.
6. If he accepts appointment in any other office in the Company for which he would receive remuneration other than that which the Board of Directors may decide from time to time to remunerate its occupier because of the executive nature of his duties.

#### **Article 28: Removal of Directors**

1. The General Meeting may terminate the membership of all or some of the members of the Board of Directors. Requisition for termination shall be presented to the Board by shareholders representing at least 10% of the capital. The Board shall forward such requisition to the General Meeting within a maximum period of one month from the date of its submission; otherwise the Ministry of Commerce may issue the notice for the Meeting. The General Meeting may not consider this requisition with respect to the said termination unless the said requisition is on the agenda, save when serious developments are revealed during the meeting requiring such termination. A member who has been terminated may seek compensation from the Company if said termination is without acceptable justification or at an inopportune time.
2. A director may resign his office provided such resignation is made at an opportune time; otherwise he shall be liable to pay damages.



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#### **Article 29: Filling of Vacancies on the Board of Directors**

In case the office of one or more directors becomes vacant, the provisions of Article 179 of the Law shall be applied.

#### **Article 30: Chairman, Deputy Chairman and Managing Director**

The Board of Directors shall elect by secret ballot its Chairman and Deputy Chairman each of whom shall hold office for a one year term renewable further for one or more terms. In the absence or disability of the Chairman, the Deputy Chairman shall act in his place.

The Board of Directors may elect by secret ballot one or more Managing Directors, and specify the duties and powers of each of them. They shall have the right to sign for and on behalf of the Company severally or jointly as the Board of Directors may resolve.

The Ministry of Commerce shall be furnished with copies of resolutions for election of the Chairman, Deputy Chairman, and the Managing Director.

#### **Article 31: Powers of the Board of Directors**

The Board of Directors may exercise all the powers and do all the acts necessary for the management of the Company in conformity with its objects, save to the extent limited by the Law, the Bahrain Monetary Agency Law, these Articles of Association and the resolutions of the General Meeting. The Board of Directors shall in particular have the power to establish the necessary regulations for the organization of work and management of the Company's business, appoint the Manager or Managers, officers or employees and to remove them, determine their duties and fix their salaries. The Board of Directors is empowered to form an Executive and other Committees, appoint their members and specify their powers. The Board of Directors is empowered to purchase, sell and mortgage movables, properties and all rights and privileges, rent and lease, transfer and sell, withdraw funds and securities owned by the Company, borrow funds for a tenor exceeding three years, issue securities, give guarantees to third parties, give authorization to institute all actions and defend the interests of the Company before the judiciary whether as plaintiff or defendant, enter into agreements for gift, conciliation, arbitration and receipt and release and assign the Bank's priority rights whether for consideration or otherwise and to decide on the manner of utilizing properties of the Company.

#### **Article 32: Representation of the Company**

1. Subject to provisions of the Law, the Company shall be represented in its relations with third parties by the Chairman of the Board of Directors or his

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Deputy (in his absence or disability). The signature of either of them shall be binding on behalf of the Company in all matters and things concerned with the administration of the Company in the normal course of business, within the objects specified therefor and according to the provisions of the laws in force, the Company's Articles of Association and resolutions and recommendations of the Board of Directors.

2. The Board of Directors may by resolution and within the limits of authority decided by it, appoint one or more of its members or any other person to sign on behalf of the Company severally or jointly with others, including the Chairman or his Deputy pursuant to the preceding Paragraph or the Managing Director pursuant to Article 30 of these Articles of Association.

#### **Article 33: Attendance Quorum and Voting Quorum at Board of Directors' Meetings**

1. The Board of Directors shall meet at the summons of its Chairman or his Deputy (in event of his absence or disability) or if requested to do so by at least two directors. A meeting of the Board of Directors shall be valid if attended by not less than seven directors in person.
2. Resolutions of the Board of Directors shall be adopted by a simple majority vote of the directors present in person or by proxy. In case of a tie, the Chairman or the person deputizing for him shall have a casting vote. A dissenting member of the Board shall record his dissent in the Minutes. The Board may adopt resolutions by correspondence, including mail, electronic or fax correspondence, provided that in order for resolutions taken in this manner to be valid, they shall be approved by all the members. Any member to whom a proposed resolution is sent in 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.
3. The Board of Directors shall meet at least four times in every financial year.

#### **Article 34: Proxy for Attendance at Board Meetings**

1. A director may give a proxy to any other director or a representative of the corporate entity which he normally represents as principal to attend the meeting of the Board on his behalf when there are reasons justifying that. Appointment of proxy may not be made at any time to more than two Board members and provided that the number of members present at the meeting in person shall not be less than one half of the total number of Board members including the Chairman. A proxy shall be personal, in writing and sent to the Board of Directors at least three days prior to the meeting. The Deputy

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Chairman shall act in place of the Chairman in the event of his absence or disability.

2. When an alternate director votes in accordance with the written instructions of his principal who appointed him, he shall not be responsible at the suit of any shareholder, creditor of the Company or any third party for such decision, save to the extent of his responsibility as a principal director.

### **Article 35: Minutes of Board of Directors Meetings**

Minutes of the meetings of the Board of Directors shall be entered on a regular basis following the end of each meeting in a Special Register and shall be signed by the Chairman and members present as well as the Secretary at the Meeting. In the Minutes there shall be recorded the names of directors present and those who are absent and the justification for absence, if any, of the absent members. The Minutes shall also include the names of persons who are not members whose presence in the meeting is required by the Law stating the names of those who attended the meeting and those who were absent. A record in the Minutes shall also be made of non-members who attended the meeting or any part of it.

The Minutes shall embody a detailed summary of the deliberations of the Board covering every event that took place at the meeting and any matter that the members had required to be recorded in the Minutes.

A member who objects to any resolution adopted by the Board shall have his objection recorded in the Minutes. Those members who sign the Minutes of any meeting shall be jointly answerable for the accuracy of the details contained therein.

### **Article 36: Executive Committee**

1. The Board of Directors shall form an Executive Committee consisting of six active members and two reserve members who shall hold their offices for a term of one year renewable for one or more further terms.
2. The Executive Committee shall elect a Chairman and a Deputy Chairman for it from among its members whose term of office shall coincide with the duration of the Executive Committee. The Chairman and his Deputy may be re-elected for similar further term or terms and the Deputy Chairman shall act in place of the Chairman in his absence.
3. The Executive Committee shall perform principal functions and the Board of Directors shall delegate to it the necessary powers to ensure the adequate discharge by it of duties entrusted to it, including laying down the operating policies of the Bank and supervising its budgets as may be necessary for the

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proper administration of the Company and to provide the necessary support and flexibility in order to enable the Executive Management and its organs to carry out the duties entrusted to them effectively.

4. The Executive Committee shall meet whenever necessary at the summons of its Chairman. The Secretary of the Committee shall invite the two reserve members to attend the meetings of the Committee in the absence of the active members as the case may be.
5. A meeting of the Executive Committee shall be valid only if attended by four members and its resolutions shall be adopted by a majority vote of members present. In the event of a tie in voting, the Chairman of the Executive Committee shall have a casting vote.
6. Minutes of the meetings of the Executive Committee shall be recorded in a special Minute Book which shall be signed by all members who attended the meetings.
7. At each meeting of the Board of Directors, the Chairman of the Executive Committee shall present a report summarizing the decisions taken by the Executive Committee since the last meeting of the Board of Directors.

#### **Article 37: The Audit Committee**

1. The Board of Directors shall form an Audit Committee from members of the Executive Committee which shall consist of at least three members and shall appoint a Chairman therefor.
2. The Committee shall meet at least twice in every financial year of the Company and its meeting shall be valid if attended by at least two members. The Ordinary meetings of the Committee shall be attended in addition to its members by the General Manager, Head of Internal Auditing Department and a representative of the External Auditor of the Bank.
3. The Secretary of the Board of Directors shall act as Secretary for the Audit Committee.
4. The duties of the Audit Committee are as follows:
  - (1) to review the Internal Audit Program and consider the basic findings arising from the internal audit reviews and investigations and the responses of the Management thereto, and to ensure co-ordination between the Internal and External Auditors;

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- (2) to maintain the effectiveness of internal auditing methods under review by it and in particular to review the Report presented by the External Auditor to the Management and the latter's reply thereto;
  - (3) to consider any other matters as may be assigned to it.
5. The Board delegates to the Audit Committee the power to review any activities falling within the scope of the mission assigned to it. The Committee shall be empowered to obtain any information from any of the Bank's employees and all employees shall be instructed to respond to any call for information received from the Committee. The Committee shall be empowered by the Board of Directors to obtain any professional independent advice, whether legal or otherwise, and to arrange for the attendance of persons from abroad who have the required technical know-how and expertise as it may deem necessary.
6. The Secretary of the Audit Committee shall distribute the minutes of the Committee meetings to all members of the Board of Directors.

**Article 38: List of the names of the Chairman, Deputy Chairman and Members of the Board of Directors**

The Company shall prepare in respect of each financial year a detailed list, certified by the Chairman of the Board of Directors, of the name of the Chairman, Deputy Chairman, members of the Board of Directors, General Manager and his deputies. The Company shall keep a copy of such list and shall send the original to the Directorate of Company Affairs at the Ministry of Commerce together with the annual report, the balance sheet, the profit and loss account of the Company for the relevant financial year referred to in Article 39 of these Articles of Association and shall notify said Ministry of each amendment made to the list within the said year.

**Article 39: Annual Report**

The Board of Directors shall prepare in respect of each financial year within the period that may permit for convening the General Meeting of Shareholders and within a maximum of three months from the end of each financial year, a report on the activities of the Company during the financial year and its financial situation, the balance sheet of the Company and a profit and loss statement. The Chairman of the Board of Directors and one of the Directors shall sign the Report and the Balance Sheet and the Profit and Loss Statement. A copy of the said Report attached to said documents shall be sent to the Directorate of Company Affairs at the Ministry of Commerce not later than ten (10) calendar days after it has been signed.

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#### **Article 40: Liability of Directors, Exemption From Liability and Liability Action**

Liability of the Chairman and members of the Board of Directors to the Company, its shareholders and third parties, exemption therefrom, action liability and the limitation of such action shall be in accordance with the provisions of Articles 185 to 187 of the Law.

#### **Article 41: Personal Interest**

Provisions of Article 189 of the Law shall apply to personal interest, if any, of the Chairman, Directors or Managers of the Company in respect of its business and contracts.

#### **Article 42: Granting of Loans to Directors**

Subject to the provisions of applicable laws in this regard, the Company may, within the limits of its objects and under same terms and conditions as it applies to transactions with the body of its customers, grant loans or open credits for any director or guarantee loans contracted by him with third parties.

The Report of the auditors shall be made available to the shareholders for their reference during the period stated in the last paragraph of Article 195 of the Law in which they shall state that such loans, letters of credit or guarantees have been granted without any breach of the provisions of the preceding paragraph.

According to the provisions of the Law, any agreement contravening the provisions of this Article shall be deemed null and void without prejudice to the rights of the shareholders to claim damages from violators where applicable.

#### **Article 43: Remuneration of the Board of Directors**

1. The Ordinary General Meeting shall establish the remuneration of the members of the Board of Directors, provided that the total of such remuneration shall not exceed ten per cent (10%) of the net profit in any one financial year after allowing for statutory reserves and after allowing for distribution to the shareholders of a dividend of no less than five per cent (5%) of the paid up capital of the Company. This provision shall not, however, be deemed to create an obligation on the part of the Company to pay a dividend of five per cent (5%) or of any amount. Remuneration of the Board shall be distributed to the members in proportion to their actual attendance at the meetings of the Board and its Committees as evidenced by the minutes of such meetings as certified by the Company.

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2. The Ordinary General Meeting may resolve to pay an annual remuneration to members of the Board of Directors in the years when the Company does not realize profits for years in which the Company does not distribute dividends, subject to approval of the Minister of Commerce. The Report of the Board of Directors to the Ordinary General Meeting shall include a detailed statement of all the amounts received by the Board members during the financial year in terms of salaries, dividends, attendance allowance, representation allowance, expenses and other amounts. The aforesaid report shall also contain details of the amounts received by Board members in their capacities as employees or administrators or amounts received in consideration of technical, management, advisory or other duties.

#### **Article 44: Sale of Company Shares to Employees**

The Company may sell or grant to its employees all or any part of its shares bought by it (Treasury Shares) subject to a resolution of the shareholders in an Ordinary General Meeting approving such act. Said resolution shall give authorization to the Board of Directors to set the rules regulating the sale or grant of these shares to Company employees.

### **Section V**

#### **General Meetings**

#### **Article 45: Types of General Meetings**

General Meetings of Shareholders are two:

1. Ordinary General Meeting.
2. Extraordinary General Meeting.

#### **Article 46: General Provisions Applicable to General Meetings**

##### **1. Application**

These provisions apply to General Meetings of Shareholders whether they are Ordinary or Extraordinary and shall be complementary to the provisions provided in these Articles of Association in respect of each of the two types of General Assemblies.

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2. **Convening General Assemblies**

- a. Persons and authorities who have the right to convene the General Meeting shall invite every person who is legally entitled to attend the Meeting, provided those given notice to attend shall include the Ministry of Commerce, the Auditors and the legal representative of debenture holders, if any.
- b. Notice to attend the Ordinary General Meeting shall be published at least 15 days prior to the date fixed for the Meeting in at least two daily newspapers published in Arabic language, one of which shall be local.
- c. Copies of the notice shall be sent to the Ministry of Commerce at least 10 days before the date set for the Meeting.

3. **Details of the Notice**

Notice of convening the General Meeting shall include in particular the following details:

- a. Name of the Company and address of its Principal Office.
- b. Commercial Registration Number of the Company.
- c. Date, time and place of the Meeting.
- d. Type of Meeting.
- e. Agenda for the Meeting.
- f. Date, time and place of the Second and Third meetings in the event that the Meeting is not quorate on the first date fixed for it.



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4. **The Agenda**

The Board of Directors shall prepare the agenda for the Ordinary or the Extraordinary General Meeting. In case the General Meeting is summoned by the shareholders or at the request of the Auditors or on a directive from the Ministry of Commerce, the agenda shall be prepared by those who summoned the meeting. No issues other than those stated on the agenda shall be debated, subject to provisions of Article 207 of the Law in this respect.

5. **Attendance, Representation and Proxy**

Pursuant to the provisions of Article 203 of the Law, a shareholder who is a corporate entity may appoint a representative to attend the General Meeting and to vote thereat on its behalf. Said shareholder will be deemed to be attending at the Meeting and acting thereat through its representative. If the shareholder is a natural person and is unable to attend the Meeting, he may appoint another shareholder or a third party to act as his proxy, provided that such proxy shall not be the Chairman, a member of the Board of Directors or an employee of the Company, without prejudice to the right to give proxy to relatives of the first degree nor to the eligibility of the representatives of minors and persons lacking legal capacity to attend the Meeting on their behalf. A proxy of a natural person appointed in said manner shall not represent in such capacity at a General Meeting a number of votes exceeding five (5) per cent of the issued share capital.

The Company shall provide special cards evidencing the number of shares owned by a shareholder and the shares for in relation to which he attends as representative or proxy of other shareholders. Delegation to representatives' power of attorney and proxy instruments shall be issued and the representation capacity shall be provided to the Company at least 24 hours prior to the date of the General Meeting. No member shall participate in voting whether on his own behalf or on behalf of those whom he represents or for whom he is acting as proxy on issues in which he has a personal interest or in respect of a standing dispute between him and the Company.

6. **Chairmanship of the Meetings**

The Ordinary General Meeting shall be presided over by the Chairman of the Board, his Deputy or any other person appointed by resolution of the Board or the General Meeting for this purpose.

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7. **Attendance Record**

- a. Shareholders shall enter their names in a special register to be prepared at the Principal Office of the Company at least 24 hours before the time fixed for holding the General Meeting. Said register shall include the names of shareholders, the number of shares owned by them, and the number of shares they represent and the names of the owners of said share and the documents evidencing their appointment and proxies. The shareholder shall be given an attendance card wherein shall be indicate the number of votes to which he is entitled as a principal or proxy.
- b. The Chairman shall at the beginning of the Meeting nominate vote checkers who shall be appointed by resolution of the General Meeting. Vote checkers may be appointed from non-shareholders. The Chairman shall ask the Auditors and vote checkers to determine the percentage of attendance of shareholders and to enter such percentage in the special register which shall be signed by them and declared by the Chairman.

8. **Minutes of Meetings**

- a. The Chairman of the General Meeting shall appoint from among the shareholders or third parties a Secretary who shall draw up minutes of the General Meeting in which there shall be entered the number of shares represented at the Meeting whether by the shareholder in person or by proxy, and the percentage thereof to the total issued and paid up capital. The Minutes shall also contain full summary of all issues discussed at the General Meeting and resolutions adopted thereat as well as the number of votes cast for or against such resolutions. To the Minutes shall be attached a list of the names of shareholders attending the Meeting and the number of shares they represent by the shareholder in person or by proxy.
- b. The minutes shall be co-signed by the Chairman of the meeting and the Secretary appointed to draw up the minutes. The certified original copy of the minutes shall be taken as evidence of the details contained therein and as a source for producing copies thereof by the Company.

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#### **Article 47: Ordinary General Meeting**

##### **1. Convening**

- a. The Ordinary General Meeting shall be summoned by the Chairman of the Board of Directors at the time and place as decided by the Board of Directors, subject to provisions of the Law in this respect. The Ordinary General Meeting shall meet at least once in every financial year within three months following the end of the financial year of the Company. The Board of Directors may summon the Ordinary General Meeting at any time if requested to do so by the Auditors or a number of shareholders representing 10% of the capital of the Company provided that they shall have serious cause for such request.
- b. The Auditor may summon the Ordinary General Meeting in the cases provided in Article 55 (2) of these Articles of Association.
- c. The Ministry of Commerce may summon the General Meeting to convene on the lapse of one month following the date fixed for convening such meeting without a meeting being convened, or if the number of members of the Board of Directors falls below the required quorum for holding the Board's meetings, or at the request of a number of shareholders representing 10% of the capital of the Company provided that they shall have reasonable grounds justifying such request.
- d. The Minister of Commerce may by resolution summon the General Meeting to convene whenever he deems that there are reasons requiring such action.

#### **Article 48: Quorum**

The Ordinary General Meeting shall not be valid unless attended by shareholders having voting rights and representing more than one half of the shares of the Company. If said quorum is not obtained, the General Meeting shall be called to convene for a second Meeting with the same agenda to be held within a period of not less than seven days and not more than fifteen days after the date of the first Meeting. The second Meeting shall be valid if attended by shareholders having the right to vote and representing at least 30% of the Company's capital. The third Meeting shall be valid irrespective of the number of shareholders present. New notices of the second and third Meetings need not be sent, if their dates were fixed in the notice given in respect of the first Meeting, provided that notice shall be published in at least two local Arabic newspapers that neither of these two meetings was held.

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#### **Article 49: Voting**

1. Voting at the General Meeting shall be by show of hands or any manner approved by the General Meeting. Voting shall be by secret ballot if the resolution concerns the election or dismissal of a member of the Board of Directors or filing action against him or when the Chairman of the Board or a number of shareholders representing at least one tenth of the number of votes present at the Meeting request voting by secret ballot.
2. Directors may not participate in voting on resolutions of the General Meeting pertaining to fixing their salaries, remuneration or their exemption from liability for their management.
3. The resolutions of the General Meeting shall be valid, if passed by an absolute majority of shares represented at the Meeting. In the event of a tie, the Chairman of the meeting shall have a casting vote.

#### **Article 50: Competence**

The Ordinary General Meeting shall be competent to consider all matters relating to the Company and to adopt appropriate resolutions in relation thereto save those that have been reserved by the Law to the Extraordinary General Meeting. The Ordinary General Meeting shall be competent, in particular, in relation to matters provided in Article 206 of the Law.

#### **Article 51: Discussions at General Meetings**

The General Meeting shall only discuss topics included in the agenda unless there are urgent matters that have arisen after preparation of the agenda or if they are uncovered during the Meeting and if the competent government authority or a public corporate shareholder in the Company or a number of shareholders who own at least 10% of the Company capital request the Board of Directors to include a particular item in the agenda which had not been included, the General Meeting shall have the right to discuss such item at the request of the persons concerned. If it is found during the discussion that information relating to certain issues is not sufficient, the Meeting shall be postponed for no more than 10 days, if so requested by a number of shareholders who own one quarter of the shares by which the Meeting was held.

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## **Article 52: Extraordinary General Meeting**

### **1. Convening**

An Extraordinary General Meeting is held on summons from the Board of Directors or on a written requisition addressed to the Board of Directors by shareholders representing not less than 10% of the capital of the Company.

The Board of Directors shall, in the latter event, call for an Extraordinary General Meeting within one month of the date on which such requisition was received by the Board; otherwise the Ministry of Commerce shall call up the meeting within fifteen days from the date of expiry of said period.

### **2. Quorum**

The Extraordinary General Meeting shall not be validly held unless attended by shareholders representing at least two thirds of the shares of the Company. If said quorum could not be obtained, summons should be sent for a second meeting which shall be held within the next fifteen days following the date of the first meeting. The quorum for the second meeting shall be valid if it was attended by members representing more than one third of the shares. If a quorum could not be obtained for the second meeting, summons shall be sent for a third meeting which shall be held after the lapse of fifteen days of the date of the second meeting. The third meeting shall be valid if attended by members representing one quarter of the shares. New summons for the second and third meetings need not be given if their dates were fixed in the given in respect of the first meeting, provided that notice shall be published in two local newspapers that the first two meetings were not held as the case may be.

### **3. Voting**

Resolutions at the Extraordinary General Meeting shall be passed by a two third majority of shares represented at the meeting unless the resolution relates to the increase or reduction of capital, extension of the term of the Company, dissolution or merger of the Company with another company in which case resolutions shall only be valid if adopted by 75% of the shares present at the Extraordinary General Meeting. Resolutions of the Extraordinary General Meeting shall not be valid unless approved by the Ministry of Commerce.

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4. **Competence**

- a. The Extraordinary General Meeting shall have competence over all the matters provided for in Article 210 of the Law.
- b. The Extraordinary General Meeting may adopt resolutions in respect of matters falling within the competence of the Ordinary General Meeting provided that:
  - i. the quorum and voting majority required for the Ordinary General Meeting are available; and
  - ii. the subject of the resolution had been placed on the agenda.

**Article 53: Binding Effect of Resolutions of the General Meeting**

1. Resolutions adopted at the General Meeting in accordance with the provisions of the Law and these Articles shall be binding on all shareholders whether they were present at the meeting at which the said resolutions were passed or absent or whether they voted for or against them.
2. The Board of Directors shall implement the resolutions of the General Meeting.

**Article 54: Invalidity of Resolutions**

Without prejudice to the rights of any bona fide third party, all resolutions adopted by the General Meeting contrary to the provisions of the Law or the Company Memorandum of Association and Articles of Association shall be deemed null and void. The court may nullify any resolution adopted in favour of a particular class of shareholders or with the intent to cause damage thereto or realizing special benefit to members of the Board of Directors or others without regard for the Company interest. A request to invalidate a resolution in this case may be made only by those shareholders who recorded their objection to the resolution in the minutes of the meeting or who are absent from the meeting on account of an acceptable excuse. A nullified resolution shall be deemed non-existent as far as all shareholders are concerned. The Board of Directors shall publish a summary of the judgment of the court nullifying the said resolution in one of the local daily newspapers. An action filed for nullity of a resolution shall not result in suspending the implementation of the resolution unless an order is issued by the court to this effect. An action for nullity shall be barred after the lapse of one year from the date of such resolution.

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## **Section VI**

### **Auditors**

#### **Article 55: Appointment of Auditors**

The Company shall have one or more Auditors from among those licensed to practise in Bahrain who shall be appointed and have their remuneration and period of service fixed by the General Meeting. If more than one Auditor is appointed, each of them shall carry out the audit duties independently. However, if the Auditor appointed by the General Meeting does not carry out his duties for any reason whatsoever, the Board of Directors may whenever necessary appoint another Auditor to replace him, provided that such appointment shall be referred to the next General Meeting for a decision. In the event that more than one Auditor is appointed, the Auditors shall be jointly liable for the audit of the accounts of the Company.

#### **Article 56: Qualifications, Powers and Duties of Auditors and Audit Procedures**

The Auditor shall be subject to provisions of Articles 217 to 222 of the Law in respect of his qualifications, powers and duties and the audit procedures.

## **Section VII**

### **Financial Provisions**

#### **Article 57: Financial Year**

- a. The Financial Year of the Company shall commence on the 1<sup>st</sup> of January and end on 31<sup>st</sup> of December in each year.
- b. The Company may, by resolution of the General Meeting and with the consent of the appropriate authorities, change the dates on which its financial year begins and ends in which case the Company shall prepare a balance sheet for the period from the end of the financial year preceding the change of date until the beginning of the financial year following the change of date.

#### **Article 58: Company's Annual Balance Sheet and the Directors' Report**

1. The Board of Directors shall prepare for each financial year, within three months from the end of the financial year, the following:
  - a. The Balance Sheet of the Company for the last financial year including particulars of the Company's assets and liabilities;

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- b. Profit and Loss Account.
  - c. A detailed report on the Company operations, its financial position during the preceding year and the detailed recommendations of the Board of Directors regarding distribution of net profits of the last year and the profits carried over from the year before. This report shall be attached to the Balance Sheet. The Chairman of the Board of Directors shall sign the Report and the Balance Sheet and members of the Board of Directors shall be responsible for its implementation.
2. The Chairman of the Board of Directors shall publish the Balance Sheet, the Profit and Loss Account, a detailed summary of the Annual Report and the full text of the Auditor's Report in one local newspaper published in Arabic language at least 15 days before the meeting of the General Meeting.

#### **Article 59: Determination of Net Profits**

Net profits are the balance remaining out of the Company's gross profits after deduction of:

- a. General expenses;
- b. The percentage fixed by the Board of Directors for the depreciation of assets and compensation for loss in value of such assets, provided that these deductions shall be used for purchasing and maintaining the assets of the Company and may not be distributed among the shareholders;
- c. Interest paid on all loans and all Company obligations and liabilities including allocations made by the Company therefor as required by the International Accountancy Principles applicable to the banking business.

#### **Article 60: Methods of Distribution of Net Profits**

1. The net profits of the Company shall be distributed in the following manner:
- a. Ten per cent shall be set aside every year for the Statutory Reserve. Such deduction may be discontinued when such Statutory Reserve attains 50% of the paid up capital. If the Statutory Reserve falls below said percentage, deduction shall be resumed until it attains the percentage. The Statutory Reserve shall not be distributed among shareholders; however, it may be utilized in order to ensure distribution of dividends to the shareholders amounting to not less than 5% of the paid up value of the shares in years when the net profit of the Company is insufficient to permit dividend distribution equal to 5% of the paid up



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capital. Subject to the approval of the General Meeting, a percentage of the net profits realized by the sale of any of the fixed assets or out of any compensation therefor, may be distributed, provided that this shall not result in preventing the Company from restoring the assets of the Company to their original condition or from buying new fixed assets.

The General Meeting may, before giving its said consent, request the Company's Auditor to prepare a report on the percentage to be distributed from net profits and the sufficiency of the remaining balance of the proceeds of sale of the fixed assets or compensation therefor to restore the Company assets to their original condition.

- b. A sum to be determined by the General Meeting shall be deducted to meet obligations of the Company including those arising pursuant to Labour Laws.
  - c. The General Meeting may, at the proposal of the Board of Directors, decide to allocate annually a percentage of the net profits to the voluntary reserve account. Said voluntary reserve shall be used for the purposes determined by the General Meeting including the use for depreciation of Company's assets or for making up for any fall in the value thereof or converting it into capital.
  - d. An amount as required shall be deducted for distribution as an interim payment of dividend to shareholders amounting to 5% of the paid up value of the shares.
  - e. The balance remaining of the profits shall be divided among the shareholders as additional dividends or carried over at the proposal of the Board of Directors to the following financial year or be utilized in building up contingency reserve or a reserve fund for unusual depreciation.
2. Losses, if any, shall be borne by the shareholders in proportion to the number of shares owned by each of them and the liability of a shareholder shall not exceed the value of his shareholding in the Company. A shareholder shall only be obliged to pay the unpaid portion of the nominal value of shares subscribed for, if any.

## **Section VIII**

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## **Dissolution and Liquidation**

### **Article 61: Dissolution of the Company**

The Company shall be dissolved for any of the following reasons:

1. Expiry of the period prescribed therefor, if any, unless the same be renewed.
2. Attainment of the objects for which the Company has been incorporated.
3. Loss of its capital or a sizeable portion thereof, rendering it not feasible for the Company to continue.

If it appears from the Balance Sheet that the Company has lost its reserves and three quarters of its capital, the Chairman of the Board of Directors shall summon the Extraordinary General Meeting to convene in order to resolve whether to dissolve the Company before the expiry of the period fixed therefor, or reduce the capital or to take other suitable measures. If the General Meeting refuses to dissolve the Company, any shareholder shall have the right to take the matter to the court.

4. Adoption of a resolution by the Extraordinary General Meeting by unanimous vote of shareholders or by the majority of votes specified by the Law for the adoption of the resolutions at Extraordinary General Meetings dissolving the Company before the expiry of the period specified therefor.
5. The Company is declared bankrupt.
6. A court order is made for dissolution of the Company.
7. Merger of the Company with any other company.

### **Article 62: Liquidation of the Company and Division of its Assets**

The Company shall, upon dissolution, be considered in a state of liquidation, and shall be liquidated and its assets divided in accordance with the provisions of Articles 325 to 344 of the Law.

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## **Section IX**

### **Final Provisions**

#### **Article 63:**

These Articles of Association shall be deposited and published in accordance with the provisions of the Law.

#### **Article 64:**

These Articles of Association have been made pursuant to the consent of the Directorate of Company Affairs in the Ministry of Commerce vide their letter dated 1.04.2003.

#### **Article 65:**

All costs and fees in respect of these Articles and their full legalization shall be debited to the Company overheads.

#### **Article 66:**

The provisions of the Commercial Companies Law issued by Decree Law No.21 for the year 2001 and its Implementing Regulations issued by Order No.6 of the year 2002 shall apply with respect to any matter for which no specific provision is embodied in these Articles of Association.

(Sgd.) Murad Ali Murad  
Authorised Signatory

\_\_\_\_\_  
First Witness

\_\_\_\_\_  
Second Witness

In witness whereof, these Articles of Association were made in one original and three copies which were signed upon having been read by all the parties and by myself. The parties concerned were given three copies to act in accordance therewith.

Notary Public  
(Stamp)