

**UNITED GULF BANK B.S.C.**



**CODE OF CONDUCT**

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## 1. Introduction

The reputation and integrity of United Gulf Bank B.S.C., (UGB, the Bank), are valuable assets that are vital to the Bank's success. Each employee of the Bank is responsible for conducting the Bank's business and working in a manner that demonstrates a commitment to maintaining the highest standards of honesty, integrity, good faith, due diligence and care, while upholding the best interests of the Bank, its shareholders and other stakeholders. This Code of Conduct represents ethics and policies followed by the Bank and are applicable to its Directors and Senior Management, Officers and Employees (UGB Staff).

HC- 2.2.3 of the Central Bank of Bahrain's ("CBB") rulebook related to High Level Controls states that, *"The Board must establish corporate standards for approved persons<sup>1</sup> and employees. This requirement should be met by way of a documented and published code of conduct or similar document. These standards must be communicated throughout the bank, so that the approved persons and staff understand the importance of conducting business based on good corporate governance values and understand their accountabilities to the various stakeholders of the licensee. Banks' approved persons and staff must be informed of and be required to fulfil their fiduciary responsibilities to the bank's stakeholders."*

The Board, Senior Management and Employees of UGB are committed to the implementation of this Code. It is an integral part in the way they exercise their responsibilities and conduct themselves vis a vis customers, shareholders, staff and the wider community<sup>2</sup>. This document should be read in conjunction with the other relevant policies related to UGB's Anti Money Laundering Policies & Procedures, Key Persons Policy, the Human Resources Policy and Procedures Manual, the Remuneration Policy and the Corporate Governance Guidelines.

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<sup>1</sup> Controlled Persons are defined under LR 1 A.1.2 as those Board Members; Chief Executive or General Manager and their Deputies; Chief Financial Officer and/or Financial Controller; Head of Risk Management; Head of Internal Audit; Head of Shari'a Review; Compliance Officer; Money Laundering Reporting Officer; Deputy Money Laundering Reporting Officer; and Heads of other Functions.

<sup>2</sup> HC 2.2.4 a

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## 2. Principles of UGB's Code of Conduct

### 2.1. Confidential / Sensitive Information.

In adherence with the Principles of Business guidelines mandated by the CBB, the Bank adopts a stance of complete privacy and confidentiality for protecting sensitive information of all matters, including customer information.<sup>3</sup> Conformity with these principles is applicable to its Directors, Senior Management, Officers and all employees of the Bank.

- i) Information obtained with respect to the clients of the Bank from any source other than public documents, is considered privileged and must be held in strict confidence. Information received from or about clients is to be used solely for corporate purposes and should be disclosed to employees of the Bank only as needed to discharge their assigned duties. Confidential information is not to be transmitted to persons outside of UGB, except in accordance with Article 49 of the CBB Disclosure Standards that fall under the CBB Capital Markets Guidelines. This stipulates that:

“A recipient of confidential information, or a person obtaining such information directly or indirectly from a recipient, is permitted to disclose such information to any person for the purpose of or in connection with:

- any criminal investigation or proceedings;
- any proceedings before any review committee appointed by the Central Bank;
- any other civil proceedings to which the Central Bank is, or is proposed to be, a party”

No such information to be used as a basis for personal gain by UGB staff.

- ii) The internal financial data, management reports, business plans, marketing strategies, contracts, intellectual property, client lists, policies and procedures and all other proprietary information of UGB is confidential and may not be disclosed, discussed or made available to anyone outside of UGB. Maintaining the confidentiality of such proprietary information is a requisite of continuing employment with UGB.

UGB employees are bound by their contracts of employment to continue to observe this level of confidentiality regarding proprietary information on UGB. Such information and materials, including those maintained in an electronic format, are intellectual proprietary assets of the Bank and may not be retained for use nor removed from the Bank at the time employment ceases. This is also in accordance with Article 71 of the Bahrain Labour

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<sup>3</sup> PB 1.1.4; reiterated by the CBB's letter dated 6 April, 2014 (EDBS/KH/C/27/2014 – Banker's Duty of Confidentiality; HC 2.2.4 c

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Law for the Private Sector - 2012, which requires all employees to 'return any tools, records, documents related to work or unused materials in their custody after the termination of the contract of employment.' Employees are also not permitted to canvass or solicit clients of UGB with whom they had contact at any time during their service with UGB, for a period of one year after leaving the service of the Bank.

UGB will also not publish or release information to third parties concerning the accounts or activities of their individual customers, unless:

- a) Such information is requested by the CBB or by an order from the Courts;
- b) The release of such information is approved by the customer concerned; or
- c) It is in compliance with the provision of the Law or any international agreements to which the Kingdom of Bahrain is a signatory. <sup>4</sup>

## **2.2. Key Persons Policy and trading.**

This section is to be read in conjunction with the Bank's Key Persons Policy.

All staff are expected to observe proper standards of market conduct, and avoid action that would generally be viewed as improper.<sup>5</sup> Confidential information may, in certain instances, be considered 'insider information', which if used or disclosed, could subject Senior Management, Officers and employees of UGB to liability under the CBB and the Bahrain Bourse's ("BB") rules.

Insider information is material, non-public information about UGB or any client. The test of materiality, is whether the information was of such importance that it could be expected to affect the judgment of investors as to buying, selling, or holding securities and which, if generally known, could be expected to impact the market price of the underlying share. Some of the examples of non public information, that are perceived as 'insider information', are

- Change in the dividend rate
- Significant unexpected losses or gains.
- Sales, earnings and cash flow projections showing a rapid rise/fall in earnings.
- Negotiations to possible mergers, takeovers or spin-offs of business units.

The above is not an all-comprehensive list of situations involving 'insider information'. All UGB staff are urged to be extremely cautious in discussing non public corporate information with outsiders. UGB staff may not use 'insider information' for the trading of shares either for themselves or for others directly, or by making recommendations to buy or sell a security based on such information.

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<sup>4</sup> BC-3.1

<sup>5</sup> PB 1.1.5

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In accordance with UGB's Professional Standards, Statement of Principles and Code of Conduct and in order to standardize compliance reporting requirements throughout the Bank; all UGB staff must comply with the following:

**i) Personal Account Rules**

The purchase / sale of UGB shares by staff designated as Key Persons of based on information that they are privy to, is not permitted. The Directors, Senior Management and anyone with the designation of Assistant Vice President and above and other employees deemed by the Head of the Department to be considered as 'key persons'. Directors and key persons are prohibited from transacting in UGB's shares if they are doing so on the basis of inside information. Examples of these include when the matter in question constitutes unpublished price-sensitive information in relation to UGB's securities, or would be perceived by regulators as an act that would divulge, abuse or breach disclosing confidential information. There are no exceptions for transactions that the key person thinks may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure)<sup>6</sup>.

**ii) Non use of personal hedging for UGB shares.**

In line with the remuneration requirements, UGB employees must commit themselves not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Although such mechanisms (eg. short selling or forward selling) are not available, employees are required not to use them in future, should they be made available.<sup>7</sup>

**2.3. Conflicts of interest.**

A 'conflict of interest' is defined as any situation in which a person's private interests are incompatible with the official responsibilities of that person within the UGB Group. Therefore, a conflict of interest would arise where any member of Senior Management, Officer or employee, has a personal interest<sup>8</sup> - financial or otherwise, in a client, counterparty, borrower, supplier, or other person or company dealing with UGB. Each member of UGB staff is expected to manage his or her personal and business affairs so as to avoid situations that might lead to a conflict, or even the appearance of a conflict, between the staff's self-interest and his or her duty to UGB, its clients and its shareholders<sup>9</sup>.

All Staff and Directors are expected to behave professionally such that they do not :

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<sup>6</sup> Key Persons Policy – 4.2.1

<sup>7</sup> HC 5.4.18

<sup>8</sup> A person is expected to have a personal interest in a transaction with a company if he himself or a member of his family (spouse, father, mother, sons, daughters, brothers or sisters) or another company of which he is a director or controller, is a party to the transaction or has a material financial interest in the transaction.

<sup>9</sup> HC 2.3.1

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- Enter into competition with the bank
- Demand/accept substantial gifts from the bank for himself or his associates.
- Misuse the Bank's assets
- Use UGB privileged information to take advantage of business opportunities to which the company is entitled for himself or his associates.<sup>10</sup>

In any such situation, the person concerned must absent himself/herself from any discussions or decision making that involves a subject where they are incapable of providing objective advice, or which involves a subject or (proposed) transaction, where a conflict of interest exists. This is also reiterated in the Corporate Governance PPM related to Conflict of Interest.

Any staff member who has a conflict of interest must inform the CEO immediately of the same and disclose all material facts in the case of a contract or transaction involving him or her. The CEO and Directors must also inform the entire board of (potential) conflicts of interest in their activities with, and commitments to other organisations as they arise. It is reiterated that they should refrain from being involved in any decisions or transactions concerning conflicting interests.<sup>11</sup>

**i) Commitment of Corporate Funds**

No member of Senior Management, Officer or Employee is permitted to commit funds of UGB to a borrower or other entity, when any part of those funds will be to the personal benefit, directly or indirectly, of the employee, officer or member of Senior Management committing the funds. Any commitment of payment of funds for the purposes of the Bank, have to be made in accordance with the Payment Authority Matrix approved by the Board of Directors.

**ii) Personal Investments**

Personal investment by a member of UGB's directors, senior management or staff in securities of a publicly traded/ privately held company that is independent and has no conflict of interest with the activities of the Bank, is permissible without prior disclosure, provided that the total ownership will not exceed 5% of any class or type of issued shares or exceeding 5% ownership of the company.<sup>12</sup> If it exceeds this threshold, no prior approval is required. It should however be immediately reported to the Key Persons Registrar, and be disclosed in the Annual Declaration of Compliance with the Code of Conduct on an ongoing basis. (See # 6).

If any of UGB staff or his/ her immediate family invests, directly or indirectly, in the shares or a percentage of 5% of any class or type of issued shares, or of a company or any

<sup>10</sup> HC 2.3.2

<sup>11</sup> HC 2.4.1

<sup>12</sup> HC 2.4.1

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percentage of ownership exceeding 5% in a partnership, limited liability company or operates a sole proprietorship doing business with UGB, that investment requires prior approval of the CEO (Chairman of the Key Persons Committee). Further, the concerned UGB staff is prohibited from handling the account / transactions, or being involved in discussions or decision making related to such a company or business, or be in a purchasing position if the underlying business is a supplier to UGB. The interest of the staff should be disclosed in the Annual Declaration of Compliance with the Code of Conduct (See # 6).

**iii) Personal Employment elsewhere**

No UGB staff is to have an outside interest or employment that encroaches on the time or attention which should be devoted to the employee's duties at the Bank; adversely affects the quality of work performed; competes with the activities of UGB; involves any use of the equipment, supplies or facilities of UGB or adversely affects the good name of UGB. Any member of UGB staff who is interested in outside employment or interest must seek the approval of the CEO. Such employment or activities may be undertaken only after approval is received in writing.

**iv) Outside Partnerships, Partnerships, Sole Proprietorships, Other Business Entities**

Prior written approval from the CEO must be obtained before any member of UGB's staff accepts a position as officer or director of a company or becomes a member of a partnership, limited liability company, sole proprietorship or any other business entity, irrespective of whether it is independent or whether it does business with the Bank.

**v) Professional organizations, charitable, educational or other civic affairs.**

Members of UGB's staff are encouraged to take part in professional organizations, charitable, educational, and other civic activities, so long as such activities do not impair the performance or reputation of the Bank or is in conflict with the employee's duties. It is expected that the staff will conduct his/her activity with integrity and honesty, and in complete accordance with all rules and regulations that may apply. No prior written approval or annual declaration is required for these activities.

The content of any presentations, written or verbal communication at a public forum where the employee is representing the Bank, has to be reviewed by the CEO / Head of Internal Audit & Quality Assurance. This is to ensure that there is no sensitivity in the contents, that will inadvertently affect the Bank's image and reputation.

**2.4. Relations with Clients, Subsidiaries, Affiliates and the Regulators**

Senior Management, Officers or employees may not borrow either directly or indirectly, from a client of UGB or any other entity owned or controlled by UGB, its clients or

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suppliers other than recognized lending institutions in accordance with the latter's terms and conditions.

Senior Management, Officers and employees are also expected to act in an open and co-operative manner with the CBB and other regulatory/supervisory bodies whose authority they come under<sup>13</sup>.

Staff are also expected to undertake their fiduciary responsibilities seriously and safeguard the assets and deposits of the Bank's customers.<sup>14</sup> They must pay due regard to the legitimate interests and information needs of their customers and communicate with them in a clear, fair and transparent manner<sup>15</sup>. Staff who advise customers on investment decisions, must take reasonable care to ensure the suitability of such advice or decisions.<sup>16</sup> They must also qualify for the Financial Advice Program as mandated by the CBB (if applicable).<sup>17</sup>

## 2.5. Gifts

Employees must not solicit gifts nor accept cash from any person to whom they become connected as a result of their employment with UGB. These persons include suppliers who provide or may wish to provide goods or services to UGB; and clients or potential clients who may want to obtain facilities from UGB in the normal course of business.

The acceptance of gifts in kind must be restricted to those that are offered by organizations as part of their normal marketing activities, but only on the condition that there is no possibility of that acceptance being misconstrued. Hospitality in the form of lunches, dinners, and social events is permitted provided it falls within reasonable amounts.

Token gifts that are received or given (under BD 100/-) and promotional material fall outside this policy provided:

- they do not place the employee under any commercial or moral obligation;
- No misconstructions, however ill founded, could be put upon the acceptance;
- The employee notifies his/her manager that a gift or hospitality has been made.

Any person accepting a gift contrary to these rules will be liable to disciplinary action, which may result in summary dismissal. If there is any element of doubt about any offer regarding the acceptance of gifts, gratuities or hospitality, guidance should be sought in advance, from the CEO or the Chief Compliance Officer.

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<sup>13</sup> PB 1.1.8

<sup>14</sup> PB 1.1.6

<sup>15</sup> HC 2.2.4 b

<sup>16</sup> PB 1.1.7

<sup>17</sup> CBB's letter dated 24 July 2014, EDBS/KH/C/45/2014

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Acceptance of an honorarium, travel, lodging or meal expenses for a speech or presentation at an event sponsored by a professional organization or client, vendor, supplier or consultant of UGB is permitted, provided the employee or officer receives prior approval from the CEO.

## **2.6. Communication with the Media.**

This section should be read in conjunction with UGB's Disclosure Policy. In order to minimize the risk of inappropriate disclosure and to ensure a clear message is communicated to the public, UGB has designated a limited group of senior officials who are entitled to speak on its behalf when material information may be disclosed. They are the Chairman of the Board, the Chairman of the Board Audit Committee, the Chief Executive Officer, the, the Chief Financial Officer and the Chief Compliance Officer (the "Spokespersons"). The Chairman or the Chief Executive Officer may designate other directors, officers, other employees or agents to speak on particular matters or to respond to specific inquiries as necessary or appropriate. Unless so designated, no director, officer, employee or agent of the Bank may communicate on behalf of UGB with regulators, investors, shareholders, analysts and the media with respect to any disclosure that may include material information about the UGB Group. Spokespersons shall remain knowledgeable about UGB's public and the views of the investment community relating to the Bank. Further details are provided in the Bank's Disclosure Policy.

Officers and employees of UGB should refer inquiries from analysts and institutional investors about significant investor relations issues to the CEO of the Chief Financial Officer. Similarly, officers and employees of UGB should refer inquiries from the media to the CEO or any of the Bank's other Spokespersons. The CEO's approval should be procured before releasing any material information to the public.

## **2.7. Unacceptable behaviour**

The Bank's Code of Conduct prohibits certain actions by Directors, Senior Management, Officers and employees of UGB. This includes

- i) Theft, embezzlement or misapplication of funds or assets or proprietary information in electronic or paper form;
- ii) Breach of UGB's confidentiality (see # 2.1);
- iii) Market abuse or insider trading ;
- iv) Inability to honour personal financial commitments due to a high degree of debt;
- v) Assuming a false identity or submitting false certificates or testimonials;
- vi) Unauthorized issuance of obligations or making or causing false entries to be made;
- vii) Making any false statement or report to any legal or regulatory authorities in or outside the Kingdom of Bahrain;
- viii) Being sentenced for a crime or a misdemeanour involving dishonour, dishonesty or immorality;

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- ix) Being under the influence of alcohol or drugs during the hours of work ;
- x) Assault on any member of UGB staff or supervisors during the course of employment.

**2.8. Expected Standards of Professionalism, Fairness, Behaviour and Language**

It is policy of the Bank that all employees should be able to enjoy a work environment free from all forms of misbehaviour including discrimination, and harassment from supervisors, colleagues, visitors or customers of the Bank. Care should be taken to ensure that all staff act with honesty, integrity, due skill, care and diligence at all times.<sup>18</sup> The following behaviour is not acceptable under any circumstances.

- i) Employees shall not discriminate in dealings with any persons within or outside the Bank on account of religion, creed, sex etc.
- ii) Employees shall not misbehave with clients or colleagues inside or outside the premises of the Bank. Misbehaviour would include acts such as shouting, use of unparliamentarily language, threatening, intimidation, physical assault etc.
- iii) No employee shall use his / her position to intimidate or secure undue advantage from any other employee or external person or outside agency.
- iv) Harassment is prohibited on any basis, including but not limited to an individual’s age, sex, race, national origin, ancestry, religion, medical condition, disability.
- v) Misbehaviour by employees may result in disciplinary action up to and including termination of the employee who misbehaves.
- vi) Harassment of employees by customers, consultants should be dealt by the immediate manager amicably without compromising on business relationships. In case the matter cannot be resolved politely, the intervention of management should be immediately sought for resolution and necessary action.
- vii) Employees are forbidden from making any sexual advances or use of any sexual overtones with any client or colleague.
- viii) False accusations of misbehaviour will lead to severe disciplinary action, up to and including termination.

**2.9. Accounting, Auditing and Recordkeeping**

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<sup>18</sup> PB 1.1.1, PB 1.1.3

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The Bank has developed internal controls, standards and procedures to ensure that all its assets are identified, protected and properly used, and that all business records, financial records and other reports are reliable, accurate and timely prepared and maintained. All members of Senior Management, Officers and employees are responsible for complying with all internal controls and recordkeeping standards and procedures.

The Internal Audit Department undertakes and conducts regular reviews as part of a risk based plan, to measure the effectiveness of internal controls and compliance, and to facilitate ongoing improvement. Internal Audit will also report any observations/violations/concerns regarding the adherence to this code of conduct, to the Board Audit Committee.

**3. Enforcement Mechanism, Incident Reporting and Investigations**

The Board of Directors empowers the Risk & Compliance Committee to investigate matters upon its own initiative or as requested from any employee, officer or director. The Committee in turn, may delegate this responsibility to the Compliance Department / Internal Audit Department. In order to provide an unbiased viewpoint, one representative each from Compliance and Internal Audit will jointly conduct the investigation. They will have the authority to collect statements, reports and documentation to aid in the investigation as well as to interview individuals, including the person whose conduct is questioned. Upon consideration of the factual information available to the Committee, it will determine whether a violation of the Code of Conduct has occurred and, whether a waiver should be granted. If a violation has occurred, the Chairman will be notified accordingly and disciplinary action will be taken in line with the Bank’s HR policies.

It is important to investigate any breaches to the Code of Conduct, as failure to do so, may call into question as to whether the Bank meets its licensing conditions. In the case of approved persons, it calls into question as to whether they continue to meet the ‘fit and proper’ requirements for the function for which they were approved by the CBB<sup>19</sup>.

**4. Waivers**

A waiver of any provision of the Code of Conduct for any UGB staff may only be granted by the Chairman or the CEO. Any such waiver and the reasons for the waiver must be documented and maintained by the Compliance Function.

**5. Dissemination**

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<sup>19</sup> PB B.2.1

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All members of UGB Staff are expected to read and understand this Code of Conduct. Any questions regarding the guidelines should be directed to the Chief Compliance Officer. This Code will be part of the Human Resources Policy Guidelines and is expected to be understood and complied with by all UGB Staff.

**6. Annual Certification of Compliance**

All UGB staff will be required on an annual basis, to confirm their adherence to UGB's Code of Conduct. The key objective of this affirmation is to enforce the highest standards regarding professional conduct, conflicts of interest, insider trading & confidentiality. Disclosures on Personal Investments, will be also be part of this Annual Statement .

The Chief Compliance Officer (CCO) will provide an annual refresher presentation on the Staff Code of Conduct, to all UGB Staff. While all staff are encouraged to attend, this session is mandatory for new employees. The latest copy of the presentation should be posted on the Bank’s intranet, so that it is accessible to staff at all times.

The affirmation by staff will be addressed to the Chief Compliance Officer within the stipulated timeframe of one month from the date of the presentation. The CCO in turn, will address his/her affirmation to the CEO and the Chairman of the Bank Audit Committee. All completed forms will be provided to the Human Resources Department, who in turn will file these in the personnel files of the employees.

It should be noted, that all new employees will be asked to sign this statement upon joining the Bank.

**7. Posting of the Code of Conduct**

The Code of Conduct will be available to all staff on the UGB Intranet.

**8. Review of the Code of Conduct**

This Code of Conduct will be reviewed once in two years.

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## Annexure

### UNITED GULF BANK B.S.C. ANNUAL EMPLOYEE CERTIFICATION

**To: The Chief Compliance Officer**

I confirm receipt of UGB's **Code of Conduct**("the Code")

I understand that the Code refers to the more important rules and regulations applicable to UGB and its employees and that it sets out certain principles and standards that must be observed at all times.

I understand that failure to comply with the rules, regulations; policies and procedures set out in this code may have serious consequences for the firm and/or its employees and may result in my dismissal.

I hereby undertake to familiarise myself with the contents of the Code and, in case of doubt, to consult my Supervisor or the Chief Compliance Officer.

I am aware that I have to declare in writing, my interests in other enterprises or activities (whether as a shareholder of above 5% of the voting capital of a company, a manager, or other form of significant participation). My ownership and managerial interests in other companies are listed below:

#	Name of Company	Ownership Stake (%)

*(Please use a separate sheet if you need to include more information)*

I am aware that I have to declare in writing, any relatives of mine<sup>20</sup> who are employed by UGB, as mentioned below.

#	Name of Relative	Relationship

<sup>20</sup> Relatives is used to refer to any person who has a "close" relation with an employee. "Close" relation refers to relation by blood or marriage, whose living arrangements resemble those of a first or second degree blood relative. This includes: parents, step-parents, grandparents, in-laws, spouses or domestic partners, children, step-children, adoptive children, grandchildren, siblings, uncles, aunts, cousins, nieces and nephews.

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I also declare that I hold the following Directorships<sup>21</sup> as of the date of signing this affirmation.

#	Name of Company	Directorships Held	Year of assuming the Directorship

In particular I confirm that I have read, understood and agree to adhere to UGB's procedures set out or referred to in the Code of Conduct.

**Employee name:**

**Employee signature:**

**Date :**

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<sup>21</sup> Please list all Directorships that you hold, either in your personal capacity or representing the Bank.

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**UNITED GULF BANK B.S.C.  
DIRECTOR'S AFFIRMATION**

**To: The Chairman of the Board of Directors**

I confirm receipt of UGB's **Code of Conduct**("the Code")

I understand that the Code refers to the more important rules and regulations applicable to UGB and its employees and that it sets out certain principles and standards that must be observed at all times.

I understand that failure to comply with the rules, regulations, policies and procedures set out in this code may have serious consequences for the firm and/or its employees and may result in my dismissal.

I hereby undertake to familiarise myself with the contents of the Code and, in case of doubt, to consult the Chairman of the Board of Directors.

In particular I confirm that I have read, understood and agree to adhere to UGB's procedures set out or referred to in the Code of Conduct.

<b>Director's name:</b>	
<b>Director's signature:</b>	
<b>Date :</b>	

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### Version Control

Version #	Date Issued	Originator/ Modified By	Reason for Issue / Re-Issue
1	Nov 2008	Compliance	Separated from the HR Manual
2	Mar 2011	Compliance	Incorporation of changes in the CBB rulebook (Module HC), deletion of references to the MD, and addition of the reference to UGB's Key Persons Policy
3	May 2013	Compliance	Incorporation of references to the revised Labor Law for the Private Sector – 2012 and inclusion of the affirmation of the Code of Conduct for Directors
4	January 2015	Compliance	Updating the new definition of authorised persons; inclusion of the reference to personal hedging strategies with respect to remuneration rules; inclusion of the reference to the Financial Advice Program.
5	February 2017	Compliance	Updating the affirmation section to include details on relatives employed by the Bank and Directorships held by the employee.

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