

# CORPORATE GOVERNANCE REPORT



## Our Network

### HEAD OFFICE

Hamad Bin Abdullah Street, PO Box 887, Fujairah. Tel: 600 565551 Fax: +971 9 222 4516

### FUJAIRAH

#### Fujairah Branch

Hamad Bin Abdullah Street  
PO Box 887, Fujairah  
Tel: 600 565551  
Fax: +971 9 222 9470

#### Dibba Branch

Sheikh Mohammed Bin  
Hamad Street  
PO Box 11700, Fujairah  
Tel: 600 565551  
Fax: +971 9 244 3785

#### Fujairah City Centre Branch

G012A, Fujairah City Centre  
PO Box 887, Fujairah  
Tel: +971 9 202 9010  
Fax: +971 9 223 7550

#### Masafi Branch

NBF Building, Masafi  
PO Box 11208, Fujairah  
Tel: 600 565551  
Fax: +971 9 256 3339

#### Qidfah Branch

NBF Building, Qidfah  
PO Box 12002, Fujairah  
Tel: 600 565551  
Fax: +971 9 236 0494

#### Tawian Branch

NBF Building, Dibba Road  
PO Box 30098, Fujairah  
Tel: 600 565551  
Fax: +971 7 258 4355

#### Fujairah Free Zone Branch

NBF Building, Fujairah  
Khorfakkan Road  
PO Box 887, Fujairah  
Tel: 600 565551  
Fax: +971 9 224 1047

#### Fujairah Court Branch

Sheikh Khalifa Bin  
Zayed Road  
Tel: 600 565551

### DUBAI

#### Bur Dubai Branch

Al Fujairah Building  
Khalid Bin Waleed Street  
PO Box 2979, Dubai  
Tel: 600 565551  
Fax: +971 4 397 9100

#### Abu Hail Branch

Al Zarouni Building  
Opposite Abu Hail Centre  
Abu Hail Main Road  
PO Box 125841, Dubai  
Tel: 600 565551  
Fax: +971 4 221 6831

#### Jebel Ali Branch

NBF Building, Next to Etisalat  
Jebel Ali, PO Box 17676, Dubai  
Tel: 600 565551  
Fax: +971 4 881 0939

#### Al Quoz Branch

Shop #14, The Curve Building  
Next to Audi Showroom  
Sheikh Zayed Road, Al Quoz  
PO Box 126565, Dubai  
Tel: 600 565551  
Fax: +971 4 328 5494

#### Al Ras Branch

Deira Waterfront, Development  
Car Park Building #1  
Al Dhagaya Street, Al Ras, Deira  
Tel: 600 565551  
Fax: +971 4 226 3740

#### NBF Diamond Office

Almas Tower Jumeirah Lake  
Towers, PO Box 340550, Dubai  
Tel: +971 4 507 8362  
Fax: +971 4 397 7515

### ABU DHABI

#### Abu Dhabi Branch

Al Ferdous Tower, Al Salam  
Street, PO Box 786, Abu Dhabi  
Tel: 600 565551  
Fax: +971 2 672 8362 / 676 8503

#### Mussafah Branch

Rashid Al Mazroui Building  
Bank Street, Mussafah  
Industrial Area  
PO Box 786, Abu Dhabi  
Tel: 600 565551  
Fax: +971 2 555 1215

#### Al Reef Branch

Electronic Service  
Banking Unit (EBSU)  
PO Box 131885  
Tel: +971 2 612 5791

#### NBF Corporate Banking Office

Al Badie Building, Capital  
District, Near ADNEC Area  
PO Box 786, Abu Dhabi  
Tel: +971 2 612 5320  
Fax: +971 2 445 9929

#### Al Ain

Al Ain Branch, Sheikh Falah  
Bin Zayed, Al Nahyan Building  
Near Clock Intersection  
Opposite GPO, Main Road  
PO Box 88108, Al Ain  
Tel: 600 565551  
Fax: +971 3 764 8156

### SHARJAH

Sharjah Branch, Sparco  
Building, Sharjah College  
Industrial Area  
PO Box 1416, Sharjah  
Tel: 600 565551  
Fax: +971 6 525 5887

### NBF Subsidiaries

#### NBF Capital Ltd.

(Regulated by the DFSA)  
3rd Floor, Office No.303  
Precinct Building 4, DIFC  
PO Box 128217, Dubai  
Tel: +971 4 507 8517

#### NBF Financial Services FZC

Fujairah Free Zone  
PO Box 5230, Fujairah  
Tel: +971 9 202 9231  
Fax: +971 9 228 2979

#### NBF Markets, (Cayman)

Limited, 4th Floor, Harbour  
Place, 103 South Church  
Street, PO Box 10240  
Grand Cayman KY1-1002  
Cayman Islands



## Who We Are

NBF has a proud 36-year history of providing outstanding service to our customers and generating value for wider society.

## Our Vision

The financial partner for business, focused on your personal and professional needs.

## Our Mission

- › To provide our customers with exceptional financial services
- › To develop a strong sense of partnership through service and innovation
- › To offer a stimulating working environment where individuals can tap their potential to achieve new heights
- › To operate to the highest standard of professionalism, while contributing to the growth and advancement of the communities in which we work

## Our Values



P

### PASSION AND COMMITMENT

Be ready to go the extra mile for the bank and for each other



R

### RESPECT

Have mutual trust and understanding, appreciate and seek the views of others



I

### INTEGRITY

Be honest and transparent



D

### DEDICATION TO TEAM WORK

Work toward shared, common goals. Build effective teams across organisational boundaries



E

### EXCELLENCE IN SERVICE

Make delivering an exceptional customer service at the heart of everything we do

**Upholding highest ethical governance standards and investor relations continue to be the utmost priority for NBF.**



## Introduction

NBF ('The Bank') is committed to upholding the highest ethical and corporate governance standards. Our approach to corporate governance reinforces our business model and is crucial to maintaining the trust of our customers and society has in us.

The Board of Directors' primary responsibility is to provide effective governance over the bank's affairs for the benefit of shareholders, and to balance the interests of diverse stakeholders, including investors, customers, employees, suppliers, regulators, government and local communities.

Our corporate governance strategy ensures the highest levels of transparency and accountability.

## Who We Are

NBF is a regional financial services provider with a focus on the United Arab Emirates. We provide a wide range of services, each of which complies with regulatory requirements. Our shares are listed on the Abu Dhabi Securities Exchange (ADX) and our principal regulators are the Central Bank of the United Arab Emirates and Securities and Commodities Authority (SCA). NBF subsidiaries, namely NBF Financial Services FZC, NBF Capital Limited and NBF Markets (Cayman) Limited, along with NBF Belgium's representative office, are supervised by regulators in those regions.

## Overall Structure of Governance

We continuously review our corporate governance practices in light of changes to our strategy or changes within the external business environment.

Our Formal Disclosure Policy is well established and certain disclosures are included as notes within the Annual Consolidated Financial Statements. Further information on our governance and risk management framework can be referred to as follows:

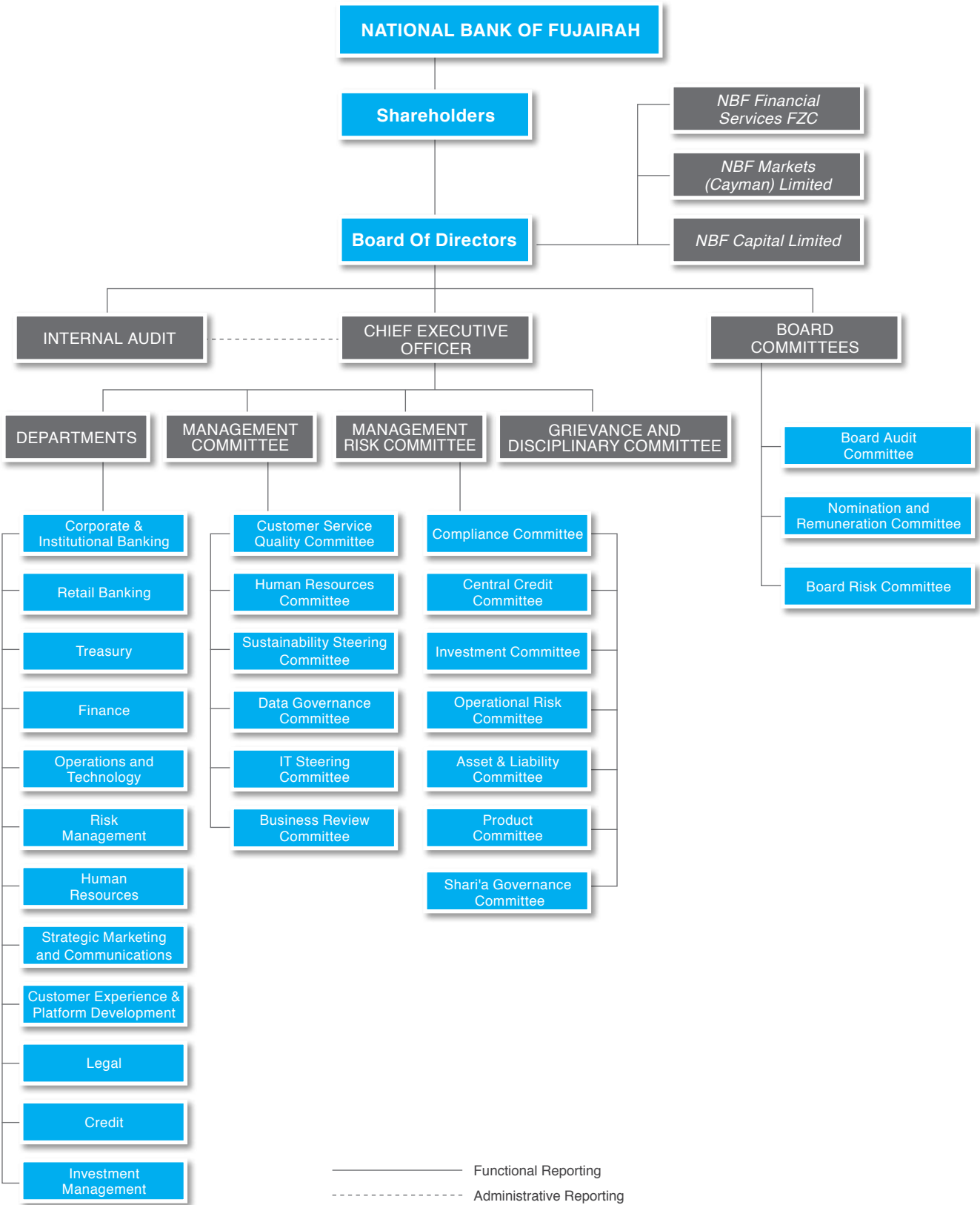
- Note 2: Details of our compliance with all applicable laws and regulations
- Note 4: Accounting policies
- Note 5: Financial Risk Management practices

The corporate and governance documents accessible through our website are:

- The Memorandum of Association and Articles of Association
- The Corporate Governance Framework of the Board of Directors
- The Code of Conduct and Whistle Blowing Policy
- The Shari'a Governance Framework (SGF)
- Enhanced disclosures relating to investor relations and corporate governance

## Organisation

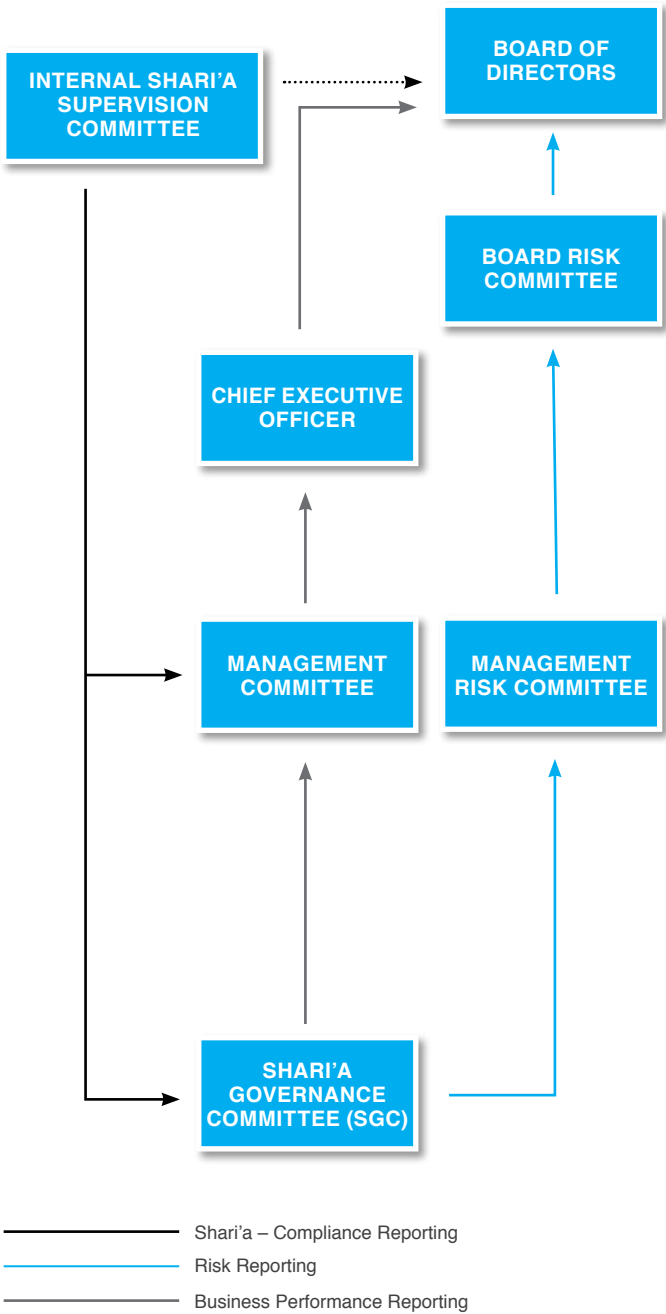
Our governance structure is robust. At executive level, the Management Committee and Management Risk Committee oversee and provide strategic direction to various other committees in the Bank. They also make recommendations to the Board.



# Islamic Banking Governance

We have established a Shari'a Governance Framework, a Shari'a Supervisory Board and a Shari'a audit process to ensure our Shari'a governance practices are world class. We maintain independent records and accounts for NBF Islamic.

## NBF Islamic – Shari'a Governance Structure





In the name of Allah, The Most Merciful, The All Beneficent

NBF Islamic, the Islamic Banking Window of National Bank of Fujairah PJSC (the Bank)

## INTERNAL SHARI'A SUPERVISION COMMITTEE REPORT

For the Year Ended 31 December 2018

The Internal Shari'a Supervision Committee has approved and supervised contracts and transactions, in accordance with the principles of Islamic Shari'a, entered into by the Bank for the year ended 31 December 2018. The Internal Shari'a Supervision Committee has performed its independent supervision to enable it to express an opinion on the bank's compliance with the provisions and principles of Islamic Shari'a, as well as with fatwas, resolutions and specific guidelines that were issued by it from time to time.

The management of the Bank is responsible for compliance with laws and principles of Islamic Shari'a in all Islamic banking transactions. The Internal Shari'a Supervision Committee's responsibility is limited to expressing an independent opinion based on its monitoring of the bank's operations.

The Internal Shari'a Supervision Committee's annual audit and monitoring included inspecting documentation and procedures of the Islamic Banking Service undertaken by the Bank on the basis of sample testing of all types of transactions.

The Internal Shari'a Supervision Committee planned to execute the audit and monitoring procedures to obtain all information and explanations deemed necessary to review sufficient evidence that Islamic banking did not contravene the principles of Islamic Shari'a and any resolutions passed by the Higher Shari'a Authority ("HSA") of the Central Bank of the UAE ("CBUAE").

Based on its monitoring and supervision, the Internal Shari'a Supervision Committee declares the following:

- a. Contracts and transactions executed, and processes followed by the bank during the year ended 31 December 2018, were conducted in accordance with the principles of Islamic Shari'a and in accordance with the HSA Resolution No.: 18/3/2018 "Regarding the Adoption of AAOIFI Shari'a standards".
- b. All amounts required to be channeled to charity were duly donated to charity organizations approved by the Internal Shari'a Supervision Committee.
- c. The allocation of profits and charging of losses, costs and expenses related to investment accounts conforms to the basis that has been approved by us in accordance with Shari'a provisions and principles.

Allah Almighty knows best.

Dated: **11 February 2019**

Approved By: **National Bank of Fujairah, Internal Shari'a Supervision Committee**

Dr. Mohamed Ali Elgari (Chairman)



Dr. Mohd Daud Bakar (Executive Member)



Dr. Muhammad Amin Ali Qattan (Member)



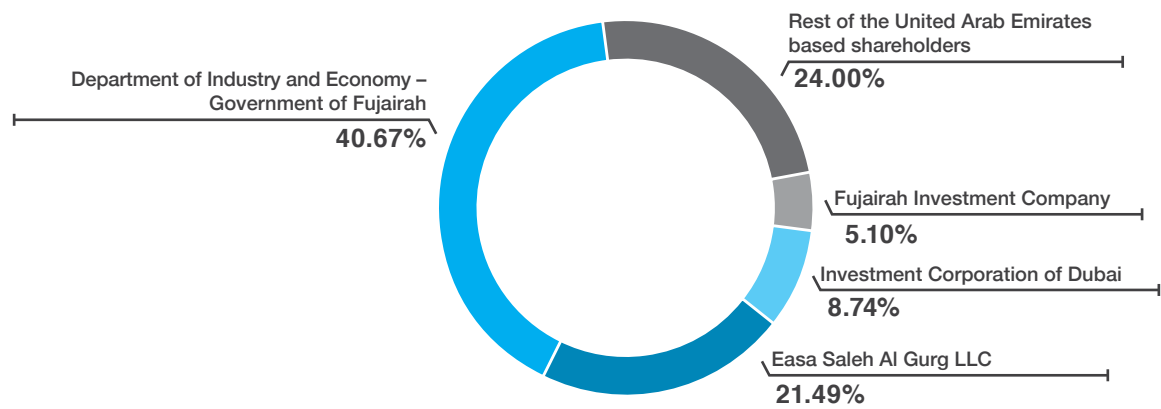
Dr. Osama Al-Dereai (Member)





## Shareholders

As at 31 December 2018, NBF's shareholders were:



**2018:** During the year, 17,542,474 shares representing 1.07 percent of the bank's shares were traded (2017: 3,878,687 shares representing 0.28 percent of the bank's shares were traded). The market capitalisation of the bank was AED7.9 billion (2017: AED6.8 billion).

## The Board

Board of Directors	NBF, "The Bank"
His Highness Sheikh Saleh Bin Mohamed Bin Hamad Al Sharqi	Chairman
His Excellency Easa Saleh Al Gurg, KCVO, CBE	Deputy Chairman
Sheikh Hamad Bin Saleh Bin Mohamed Al Sharqi	Member
Mr. Hussain Mirza Al Sayegh	Member
Dr. Sulaiman Mousa Al Jassim	Member
Mr. Saif Sultan Al Salami	Member
Mr. Mohamed Obaid Bin Majed Al Aleeli	Member
Mr. Abdulla Fareed Al Gurg	Member
Mr. Ahmed Saeed Al Raq bani	Member

## Board Responsibilities

The Board approves and oversees NBF strategy, key policies, risk appetite, senior appointments and senior executive remuneration.

The functions and responsibilities of our Board are clearly defined in our Corporate Governance Framework Manual.

Key elements of the Board's role and responsibilities are:



### Culture and Reputation

- Reviewing the performance of the CEO and senior management



### Strategy

- Setting the Vision and Mission of the NBF Group
- Approving the annual Strategic plan



### Performance

- Review of the performance of the Group against financial and other plans



### External Reporting

- Approval of the bank's Financial Regulatory Reporting
- Risk Management and Compliance
- Monitoring risk management outcomes

## Risk Appetite and Culture

Our vigorous risk management system is fundamental to our long term success. The Bank manages various risk elements in line with Basel methodologies and best practices through a Three Lines of Defence risk philosophy.

We have established a comprehensive and robust enterprise-wide risk management and governance framework.

Our Risk Appetite Statement is approved by the Board of Directors and reviewed annually. It provides qualitative and quantitative direction in terms of risk management, and forms the benchmark against which we measure risk management performance.

A Risk Culture Survey of staff is conducted every two years to better understand, measure and strengthen risk management within the bank.

## Capital and Liquidity

Our financial stability is underpinned by strong levels of capital adequacy and liquidity, relative to risk profile and growth. The group is predominantly deposit funded and its deposits to total assets ratio stood at 76.6 percent in 2018. Our advances to deposits ratio stood at 86.4 percent.

Our balance sheet is well-diversified and our eligible liquid assets ratio at the end of 2018 was 21.9 percent.

We monitor our liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). At 31 December 2018, the Group's NSFR and LCR stood at 105 percent (2017: 107 percent) and 319 percent (2017: 270 percent) respectively.

NBF maintains prudent market risk limits and our trading activities are executed predominantly to support customer activities.

We ended the year with a capital adequacy ratio of 15.2 percent, a tier 1 ratio of 14.1 percent and common equity ratio of 12.6 percent.

NBF has begun the process of issuing new Basel III compliant additional tier 1 capital.

## Regulatory Compliance

NBF is committed to the highest compliance and anti-money laundering standards, and to the protection of the UAE financial system.

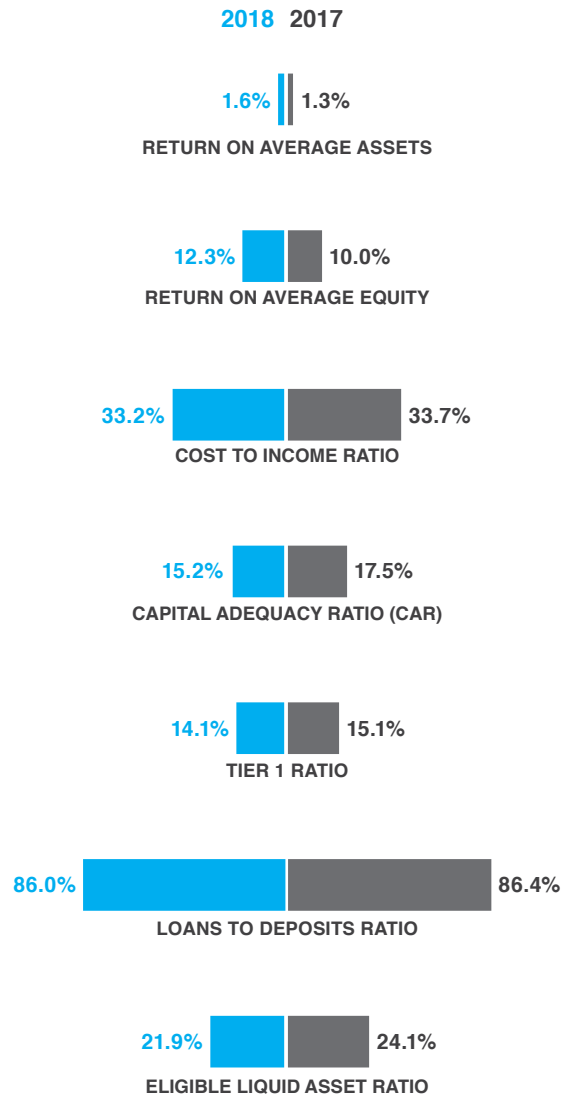
Our anti-money laundering policies, procedures and systems are in line with the latest recommendations from the Financial Action Task Force (FATF), the international anti-money laundering regulatory body, UAE Federal Laws and guidelines from Central Bank of the UAE.

We are also closely aligned with the requirements of the National Electronic Security Agency (NESA).

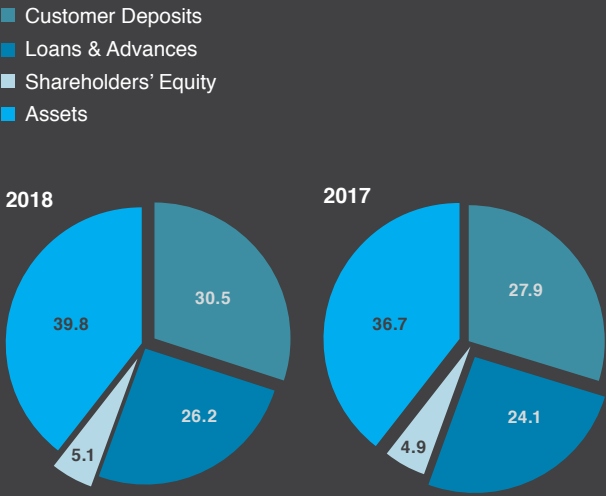
At NBF it is compulsory for all staff to regularly complete training programs relating to Compliance, Ethics and Information Security.

Financial Results

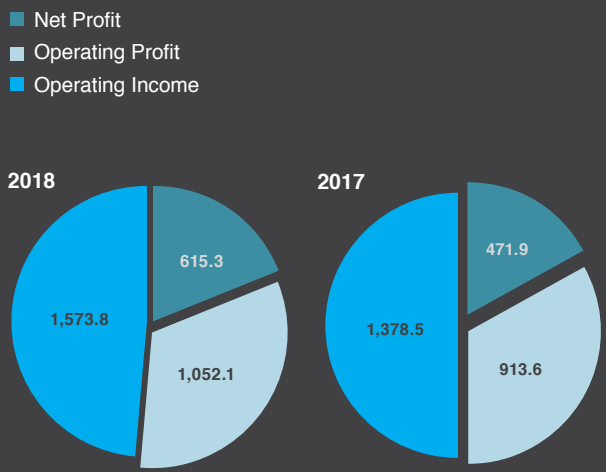
Performance and risk indicators (Percentage)



Statement of financial position (AED Billion)



Statement of income (AED Million)



## Board & Board Committees

In 2018, the Board of Directors and sub-committees met regularly.

The table below provides details of membership and meetings of the Board and Board Committees held in 2018.

### Board and Board Committees’ Membership and Meetings:

Name	Expiration of Current Term of Office	Board	Board Risk Committee	Board Audit Committee	Board Nomination & Remuneration Committee
Sheikh Saleh Bin Mohamed Bin Hamad Al Sharqi	2020	C			C
Easa Saleh Al Gurg, KCVO, CBE	2020	DC		C	M
Sheikh Hamad Bin Saleh Bin Mohamed Al Sharqi	2020	M	M	M	
Hussain Mirza Al Sayegh	2020	M		M	
Sulaiman Mousa Al Jassim	2020	M		M	
Saif Sultan Al Salami	2020	M	C	M	M
Mohamed Obaid Bin Majed Al Aleeli	2020	M	M	M	
Abdulla Fareed Al Gurg	2020	M	M	M	
Ahmed Saeed Al Raqbani	2020	M	M	M	
Sekhar T N	July 2019*		*	*	
Vince Cook	CEO	I	I	I	
Adnan Anwar	CFO	I	I	I	
Balaji Krishnamurthy	COO	I		I	
Justin Morgan-Cooper	CRO		I		
Kevin Taylor	HOIA			I	
Total no. of meetings		6	4	4	4
Approvals by circulation		2	1	-	-

C: Chairman | DC: Deputy Chairman | M: Member | \* Independent Professional Member (renewed annually) | I: Invitees

All principal members of the management team present their businesses’ performance, related risk and strategy to the Board annually.

The Board approves credit and investment proposals above defined thresholds. During 2018, there were 142 credit applications forwarded to the Board for approval.

## Appointment, Retirement and Re-Election

The Board of Directors was elected on 26 March 2017, for a term of three years.

The chairman, deputy chairman and all directors are non-executive directors.

Directors must declare interests and directorships on an annual basis.

## Directors' Interests in the NBF Shares:

Name (Board of Directors)	Shareholding at 01 January 2018	Shareholding at 31 December 2018	Change
Sheikh Saleh Bin Mohamed Bin Hamad Al Sharqi	-	-	-
Easa Saleh Al Gurg, KCVO, CBE	-	-	-
Sheikh Hamad Bin Saleh Bin Mohamed Al Sharqi	-	-	-
Hussain Mirza Al Sayegh	-	-	-
Sulaiman Mousa Al Jassim	1,305,524	1,403,438	7.5%
Saif Sultan Al Salami	-	-	-
Mohamed Obaid Bin Majed Al Aleeli	332,741	357,696	7.5%
Abdulla Fareed Al Gurg	-	-	-
Ahmed Saeed Al Raqbani	-	-	-

## Board Performance

The Board regularly reviews the financial performance of the bank, its individual businesses and support areas. It is also focused on setting the bank's risk appetite, policies, enterprise governance, risk and control framework, and three-year business strategy.

The Board and Board's Nomination and Remuneration Committee conducts an annual review of the Board's performance against a set of clear guidelines, with the report tendered to the full Board for its consideration.

## Board Committees

The Board of Directors is responsible for approving and overseeing NBF's risk management framework. The Board has established risk committees to enhance oversight and each committee has a formal Board approved Charter.

**The Risk Committee** consists of four Board members and an independent professional. It oversees the risks inherent to group business, control processes, risk management and compliance. The CEO, Chief Risk Officer (CRO) and Chief Financial Officer (CFO) are invitees. The responsibilities of the Committee include, but are not limited to the following:

- Review the group's Enterprise Risk Management and Internal Control Framework
- Review group risk appetite and establish risk policies
- Review credit risk rating system
- Review policies for asset and liability management
- Review financial and other risk exposures and the steps management has taken to identify and measure risk
- Review appropriate transaction or trading limits
- Review reports and significant findings from the Risk

Management Division, Management Risk Committee and from the regulatory agencies relating to risk

- Review Internal Capital Adequacy Assessment Process (ICAAP) submission to the Central Bank of the UAE
- Review quality, structure and adequacy of capital and economic capital allocation
- Review Basel III, liquidity and leverage review methodology
- Monitor Group's compliance with legal and regulatory obligations
- Review major disclosure documentation prior to issue to the market.

**Audit Committee** of the Board consists of five Board members and an independent professional. The Head of internal audit (HOIA), CEO, COO and CFO are invitees. Steered by the deputy chairman of the Board, the committee receives and considers reports and recommendations from the HOIA and the external auditors. Further, it receives and considers any reports issued by the regulatory authorities and makes recommendations to the Board in respect of financial reporting, systems of internal control and both internal and external audit processes. The responsibilities of the committee include, but are not restricted to the following:

- Confirming and assuring the independence of internal auditors
- Reviewing with the HOIA and the external auditor the scope, plan, coordination and effectiveness of internal and external audit work
- Overseeing the preparation of financial statements, including a review of the interim and year end accounts, to monitor that such accounts have been prepared in accordance with proper accounting principles
- Reviewing the group's internal control systems for effectiveness
- Reviewing all internal audit reports concerning any investigation or significant fraud that occurs within the Group.

**Nomination and Remuneration Committee** of the Board comprises the Board's chairman, the Board's deputy chairman and a Board member. The responsibilities of the committee include, but are not restricted to the following:

- Making recommendations to the Board relating to the appointment, reappointment and succession planning of the directors, except for the position of Chairman
- Considering appointment, termination and succession planning for the CEO and other senior management positions
- Reviewing the remuneration policy for the Board, the CEO, senior management and employees of the Bank
- Reviewing the structure, size and composition of the Board
- Evaluating the balance of skills, knowledge and experience on the Board
- Reviewing the performance of the Board

## Board Remuneration

### Board of Directors – Remuneration and interests in the Bank's shares

The remuneration of Board members is fixed for the year and paid annually, in line with the approval of the General Assembly Meeting. For 2018, the total amount was AED4.8 million, which was charged to the statement of income and represents 0.8 percent of the bank's net profit.

Board member remuneration paid during 2018 for year 2017	Directors' fees (AED per annum)
Chairman	500,000
Deputy Chairman	500,000
Director and Board Secretary	250,000 (Per Person)

## Management Committee

Vince Cook	Chief Executive Officer
Adnan Anwar	Chief Financial Officer
Balaji Krishnamurthy	Chief Operations Officer
Justin Morgan-Cooper	Chief Risk Officer
Vikram Pradhan	Head of Corporate & Institutional Banking
Sharif Mohd. Rafei	Senior Executive Officer, Fujairah Region
Abdulla Aleter	Head of Human Resources
Colin Dallas	Head of Retail Banking
Das P B	Senior Executive Officer – NBF Capital Limited

## Auditors and Independence

PricewaterhouseCoopers (PwC) was appointed as external auditors for the bank and its subsidiaries by the shareholders at the Annual General Assembly Meeting (AGAM) held on 18 March 2018. The fee for the external audit of the bank and its subsidiaries for the year ended 31 December 2018 was AED535,000 (plus out-of-pocket expenses).

In addition, the engagement fee for other services rendered amounted to AED218,150. All non-audit work is pre-approved by the Board.

PricewaterhouseCoopers  
Emaar Square, Building 4, Level 8  
P.O. Box 11987, Dubai, United Arab Emirates  
**Telephone:** +971 4 304 3100  
**Facsimile:** +971 4 330 4100

## Diversity, Sustainability and Social Responsibility

NBF is committed to ensure and maintain the highest levels of transparency and accountability as well as providing a functionally supportive environment to carry out its business activities.

To ensure we follow the best practices in our corporate social responsibility programme, NBF has appointed a Sustainability Steering Committee (SSC) that oversees the activities run by its sub-committee, the Corporate Social Responsibility Committee (CSRC).

## Investor Relations and External Communications

Investor Relations and external communications are managed through the bank's Finance and Strategic Marketing and Communications departments, respectively:

### Finance Department

**Telephone:** +971 9 202 9210  
**Facsimile:** +971 9 202 9403  
**E-mail:** NBF-investorrelations@nbf.ae  
**Website:** [www.nbf.ae](http://www.nbf.ae)  
(refer to the investor relations section for further details)

### Strategic Marketing and Communications Department

**Telephone:** +971 4 397 1700  
**Facsimile:** +971 4 397 5385

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