

**ANNUAL REPORT OF THE INTERNAL SHARI'AH SUPERVISION COMMITTEE OF THE
ISLAMIC WINDOW OF NATIONAL BANK OF RAS AL KHAIMAH**

Issued on: 19th February 2020

**To: Shareholders of the National Bank of Ras Al Khaimah (in relation to its Islamic window)
(the "RAKislamic")**

Assalam Alaikum Wa Rahamtoolah Wa Barakatu,

Dear Respected Shareholders,

Pursuant to the requirements stipulated in the relevant laws, regulations and standards (the "**Regulatory Requirements**"), the Internal Shari'ah Supervision Committee of RAKislamic (the "**ISSC**") presents to you the ISSC's Annual Report regarding Shari'ah compliant businesses and operations of RAKislamic for the financial year ending on 31st December 2019 (the "**Financial Year**").

1. RESPONSIBILITY OF THE ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

- (i) undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of RAKislamic; and the RAKislamic's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders (the "**RAKislamic Activities**") and issue Shari'ah resolutions in this regard, and
- (ii) to stipulate Shari'ah parameters necessary for the RAKislamic Activities, and to ensure the compliance with the Islamic Shari'ah by RAKislamic within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority (the "**HSA**") (the "**Compliance with the Islamic Shari'ah**") in order to ascertain RAKislamic's Compliance with the Islamic Shari'ah.



2. RESPONSIBILITY OF THE SENIOR MANAGEMENT

The senior management is responsible for RAKislamic's Compliance with the Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA regarding the RAKislamic Activities, and the Board of Directors of Ras Al Khaimah Bank (the "**Board of Directors**") bears the ultimate responsibility in this regard.

3. SHARI'AH STANDARDS

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the RAKislamic Activities without exception.

4. WORKS UNDERTAKEN BY THE ISSC DURING THE FINANCIAL YEAR

The ISSC undertook Shari'ah supervision of RAKislamic Activities through review of RAKislamic Activities, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. Works of the ISSC included the following:

- (i) Convening four meetings during the year.
- (ii) Providing fatwas, opinions and resolutions on matters presented to the ISSC in relation to the RAKislamic Activities.
- (iii) Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the RAKislamic to the ISSC for approval.
- (iv) Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders with parameters set by the ISSC.



- (v) Supervision through internal Shari'ah governance function of RAKislamic Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- (vi) Providing direction to relevant parties of RAKislamic to rectify (where possible) findings cited in the reports submitted by division of section of the internal Shari'ah governance function, and issuance of resolutions to set aside revenue derived from transactions in which noncompliance were identified to be disposed towards charitable purposes.
- (vii) Approving remedial rectification and preventive measures related to identified errors to prevent their reoccurrence in the future.
- (viii) Specifying the amount of Zakat due on each of RAKislamic's share.
- (ix) Communicating with the Board of Directors and its subcommittees, and the senior management of RAKislamic (as needed) concerning compliance of RAKislamic with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the RAKislamic is compliant with Islamic Shari'ah.

The assets and liabilities portfolio of RAKislamic was reviewed by the internal Shari'ah governance function and was found to be fully satisfactory.

5. INDEPENDENCE OF THE ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of Directors of RAKislamic. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

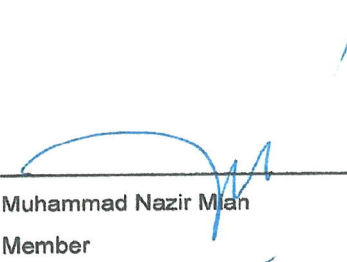


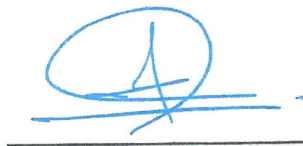
6. THE ISSC'S OPINION ON THE SHARI'AH COMPLIANCE STATUS OF RAKISLAMIC

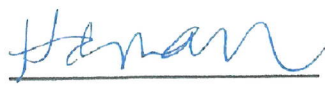
Based on the information and explanations that were provided to the ISSC with the aim of ascertaining RAKislamic's Compliance with the Islamic Shari'ah, the ISSC has unanimously concluded with a reasonable level of confidence that the RAKislamic Activities are in Compliance with the Islamic Shari'ah.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Signatures of members of the Internal Shari'ah Supervision Committee of RAKislamic


Muhammad Nazir Mian
Member


Prof. Dr Mohamad Akram Laldin
Member


Dr Hussain Hamed Hassan
Chairman